EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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THE UN'S ROLE
A quest for new self-respect
Page 25

World News

Cameroon school stampede kills 55

At least 55 children were killed and 100 wounded in a stampede in a school in the Cameroonian capital Yaounde when panic broke out and pupils had to squeeze out of a narrow exit. No immediate cause for the panic was identified.

21 days for Shamir
Israeli President Chaim Herzog, accusing Israeli leaders of petty politics, gave Likud Prime Minister Yitzhak Shamir 21 more days to form a government. Page 4

Athens attacks
Four bomb blasts caused minor damage to two suburban political party offices, the home of an opposition member of parliament and the car of another in Athens. Left-wing group Social Reaction claimed responsibility. Page 3

Algiers blast kills 18
Eighteen people were killed and eight seriously injured in a gas explosion at the privately-owned date processing plant at Tolga in Biskra, south-east Algiers.

Beirut car bombs
Two car bombs exploded in Syrian-controlled areas of Lebanon wounding at least six people in Moslem west Beirut and throwing hospital patients from their beds.

Belgrade retaliates
Yugoslavia expelled three Australian diplomats in retaliation for the closure of the Yugoslav consulate in Sydney and expulsion of its staff which followed the shooting of a Croatian youth during a demonstration.

Satellite deployed
The crew of the space shuttle Atlantis has successfully deployed a $500m spy satellite, completing the main objective of the mission.

Karachi gun attack
A masked gunman sprayed bullets at Iranian refugees outside a United Nations office in Karachi, killing one and wounding five, before fleeing by car.

Nuclear plant report
A blocked valve in the Biblis nuclear power plant near Darmstadt, West Germany, a year ago forced operators to shut it down but the malfunction did not put the public at risk, according to a government report. Page 3

Nigerian rail strike
A strike by Nigerian railway workers over unpaid wages entered its second week leaving train services paralysed nationwide. Page 4

'42 die on bus'
Anti-Communist Moslem rebels opened fire on a passenger bus near Afghanistan's northern city of Kunduz, killing 42 people, according to the official Soviet news agency Tass.

Vincennes accused
International Civil Aviation Organisation report concluded that Navy personnel on board the USS Vincennes made several mistakes that led to the shooting down of an Iranian airliner over the Gulf in July.

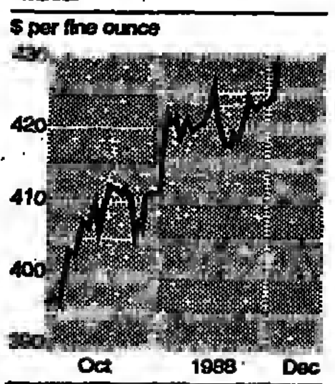
Hirohito crisis
Japan's Emperor Hirohito survived the worst crisis of his 12-week illness when he lost a litre of blood and doctors administered a transfusion and oxygen.

Business Summary

Mitsubishi offer brings instant 70% premium

MITSUBISHI Motors Corporation shares, launched on the Tokyo Stock Exchange in Japan's biggest private sector flotation, shot to an immediate premium of nearly 70 per cent over the offer price to give the company a market value of Y1,114bn ($9.18bn). Page 27

PLATINUM price in London reached its highest level for six months. GOLD reached a three-month peak. Some analysts believe the precious metals are due to lose ground



again this week. In early trading in New York gold bullion reached $431 a troy ounce and demand from Switzerland was particularly strong. This encouraged some profit-taking which saw the price dip later to $429 an ounce, up $4.35 from Friday. Page 40

INTERNATIONAL Thomson Organisation announced that it intends to sell its North Sea oil and gas interests in order to concentrate on its main businesses of information, publishing and travel. Page 27

FOUR leading US corporations applied to convert a total of $5bn of their common stock into a new type of hybrid debt and equity security whose issue could potentially have significant implications for investment management and corporate finance. Page 27

WEST GERMANY notched up yet another large trade surplus of DM10.6bn ($6.2m) in October, with the figure for the full year set to reach another record. Page 26

BANQUE INTERNATIONALE pour l'Afrique Occidentale, the 135-year-old French bank which used to issue currency for Francophone West Africa, is to be bailed out by Banque Nationale de Paris, France's largest state-owned bank. Page 30

FLETCHER Challenge, New Zealand's biggest company, revealed itself as the second largest shareholder in CSR, the Australian building products, sugar and aluminium group. Page 31

DEUTSCHE BANK faces being taken to court by the West German shareholder protection organisation, the DSW, over the bank's refusal to honour DM135m ($78m) worth of Klöckner and Co profit-participation notes. Page 28

NORWAY announced the details of a modest liberalisation of credit market policy. Page 33

BRITISH consumers' outstanding credit showed the smallest rise for nearly two years in October but retail sales remained buoyant. Page 26

STATOIL, Norwegian state oil company, approved participation in a NKr1.4bn ($215m) joint venture project with Himont, US-based polypropylene subsidiary of the Italian group Ferruzzi-Montedison. Page 31

INTEL, a leading US maker of semiconductors, which last month warned of a significant drop in fourth quarter revenues and earnings, has predicted that orders will start to pick up next year. Page 28

Moscow praises sterling efforts of the Iron Lady

By John Lloyd in Moscow

TWO OF the Soviet Union's most important daily newspapers, the *Communist Party's* Pravda and Sotsialisticheskaya Industriya, have published unambiguous tributes to Thatcherism.

The articles come on the eve of the tour by Mr Mikhail Gorbachev, *the Soviet leader, of* the US, Cuba and Britain and will certainly have received approval from the Central Committee, which controls the national press.

Pravda's article, by Mr Vsevolod Evchinnikov, a former London correspondent of the newspaper, paints a bleak picture of pre-Thatcher Britain, mocked by friends and enemies alike.

Then the Iron Lady arrived, apparently proclaiming the slogan hitherto little known (to the British): "You only get free cheese in mousetraps"; turned the economy round; "accelerated the growth of the country" to up to 4 per cent, higher than other major capitalist countries except Japan; stabilised the share of world trade and began to see it increase; and encouraged *advanced technology* areas such as Cambridge and "Silicon Glen."

Mr Evchinikov then slips into more familiar gear and talks of "capitalism with an inhuman face," quoting a battery of largsly unnamed sources as pointing to a crumbling Health Service, north-south divisions and rising crime.

The writer of the Sotsialisticheskaya Industriya piece, Mr Levmakarevich, shows himself both knowledgeable and precise, not invariable components of Soviet foreign affairs journalism. He *is also much* less "balanced" than Mr Evchinikov. Mrs Thatcher had some good fortune, he concedes, but "no fortunate circumstances can save politics if the politicians lack talent.

Like Mr Evchinnikov, he says the British were "fed up" with the decline of their country. The British ruling class, in desperation, turned to Mrs Thatcher – and chose well.

In nine years, she had "lifted the country out of its depressed state," privatised ailing industriss and sacked incompetent bureaucrats.

The key sectors of banking, finance and service industries were targeted and they achieved most success. But so too did some *industrial* areas, such as cars, steel and chemicals.

Every *third* Briton – Mr Evchinnikov says every fifth – is a shareholder but they agree that 60 per cent own their own homes.

Mrs Thatcher has kept in mind, says Mr Makarevich, the *completion of the European* internal market by 1992. "Those who will run this common market will be the very strong, and Margaret Thatcher wants to be one of those at any price."

Mr Evchinnikov marely hints that Britain has lessons to learn, most tellingly in his allusion to pre-Thatcher days *as a time of "stagnation,"* the official designation of the pre-Gorbachev, Brezhenv period in the Soviet Union.

*Mr Makarevich is character*istically less inhibited: he twice calls her reforms a perestroika *and insists that her success is* due to the fact that she saw and implemented her reforms as a whole rather than in bits and pieces – a key point made by Soviet reform economists of their own economy.

Both writers agree, however, on the opposition, saying that neither the Labour Party nor the centre parties are likely to win the next election.

They are also indifferent or scathing ahont the trade unions: Mr Evchinikov noting their decline and inability to challenge the Government, Mr Makarevich saying that "overcoming them (the nnions) proved easy, since the leadership was paralysed by bureaucracy and fear of the scientific *technical* revolution."

Industrialised nations cut import curbs on developing countries

By William Dullforce in Montreal

THE FIRST important breakthrough in the Montreal trade talks came yesterday when *the industrialisad* nations agreed to abolish or cut import barriers to a large number of tropical products such as coffee, cocoa and rubber.

The agreement, which was finalised only a few hours before 90 ministers opened their formal assembly, fulfils the richer nations' pledge to give priority in the Uruguay Round of the General Agreement of Tariffs and Trade (Gatt) to an issue of special importance to developing countries.

However, while the deal *removed* one obstacle to a successful outcome for the ministers' mid-term review of the four-year trade-liberalising round, *it did* nothing to resolve the crucial impasse over agriculture between the US and tha Economic Community.

The US joined the agreement on tropical products at the last moment but made implementa*tion of its concessions* conditional on a "satisfactory outcoma" in Montreal on tha agricultural issue.

Tha EC, Japan and eight other industrial nations said they would put the accord into effect if necessary without US participation.

EC officials were particularly pleased with the agreement, *which they claimed* left the US increasingly isolated.

Mr Richard Lyng, the US Agriculture Secretary, dashed *hopes that the US might* change its standpoint on agriculture after his arrival.

Mr Willy de Clercq, the EC Commissioner for Trade Affairs, said after meeting Mr Lyng that he had been "disagreeably surprised" by the Agriculture Secretary's refusal to modify the US position in any way.

The Americans are demanding that the EC commit itself to the long-term elimination of all trade-distorting supports to farm production and exports.

EC ministers in Montreal opened the way for the deal on tropical products with 11 developing countries by agreeing to cuts in tariffs and the removal of quotas on goods with a total *current import value* of between Ecu8bn and Ecu9bn (about $9.5bn and $10bn) a year.

In addition to coffee, cocoa and rubber, other products covered include tea, spices, tropical woods, fruits and nuts, jute and cut flowers.

Protests from some of the more than 60 African, Carib*bean and Pacific (ACP) coun*tries, whose exports to the EC currently enjoy preferences under the Lomé convention (currently under re-negotiation in Brussels), led to modifications.

In another gesture to Third World participants in the trade talks the EC is dropping its tariff and other barriers to imports from 42 least developed countries (LDCs), 10 of which are not covered by the Lomé convention.

Japan will ease access to *its* market for about one-third of its imports of tropical products. It put the annual value of the imports covered at about $3.3bn.

Australia, Austria, Canada, *New Zealand,* the three *Nordic* countries and Switzerland have joined the agreement.

Tha developing countries who will benefit inclnde some of the biggest exporters of tropical products – Brazil, Malaysia, *Mexico,* the *Philippines* and Thailand.

An innovative aspect is that the deal is genuinely two-way, with the developing countries opening their markets as well. In many cases they have been "credited" for liberalising measures taken earlier.

The agreement will come into effect next year on a provisional basis, waiting for a more complete accord on tropical products to be realised at the end of the Uruguay Round in 1990.

The US concessions, comprising 25 per cent cuts in tariffs on a relatively short list of products, have been placed in an annexe to the agreement.

More Montreal reports, Page 6

Key members of the new Korean Cabinet: Prime Minister Kang Young-hoon (left) and Foreign Minister Choi Ho-joong

Roh purges Cabinet of Chun associates

By Maggie Ford in Seoul

PRESIDENT Roh Tae Woo of South Korea yesterday sacked almost his entire Cabinet in a sweeping reshuffle designed to remove political figures associated with the regime of Mr Chun Doo Hwan, his disgraced predecessor.

*He appointed 23 new minis*ters, including Mr Kang Young Hoon as Prime Minster. Mr Kang, who was recently ambassador to the UK, was forced in 1961 to step down from a military post because of his opposition to the conp d'état of former President Park Chung Hee.

The new Cabinet contains an *entirely new economic team* which is expected, however, to pursue the current policies of market opening and internationalisation, along with the stimulation of domestic demand.

Mr Roh was forced to turn to diplomatic and academic circles in his effort to find politicians untainted by the military excesses of Mr Chun, who is now in internal exile at a Buddhist monastery. The new Cabinet still contains a few hardliners but observers noted that *the generals* who got jobs were more professionally minded than in the past and often educated abroad.

Opposition parties were sceptical of the President's sincerity, noting that several people who have been criticised for their behaviour under former President Chun either were still in the Cabinet or the presi*dential secretariat of advisors.* They also criticised Mr Roh's decision to ignore the National Assembly's constitutional right to approve the Prime Minister, who should then himself choose a Cabinet.

Continued on Page 26

Gorbachev to seek agreement on arms negotiations

By Quentin Peel in Moscow, David White in London and Judy Dempsey in Vienna

MR MIKHAIL Gorbachev, Soviet leader, today leaves behind his domestic problems to embark on an eight-day overseas trip. He is expected to press the US and Britain to acknowledge Soviet improvements in human rights and clear the way for talks on conventional arms.

Several of the final obstacles *to negotiations on* conventional weapons in Europe have been overcome in the past few days and diplomats say Mr Gorbachev is likely to be looking for a breakthrough.

Western diplomats confirmed yesterday that Nato countries had reached broad agreement on an alliance position in the talks, demanding deep cnts in Warsaw Pact tanks and artillery.

Washington and London have taken some of the tough*est positions in the Western* camp on the price Moscow must pay for an agreement at the East-West conference in Vienna, which is needed before the arms talks can begin.

The Soviet leader will tomorrow address the UN General Assembly in New York and later meet President Ronald Reagan, and President-elect George Bush. He leaves on Friday for Cuba and then heads to London for talks with Mrs Margaret Thatcher, UK Prime Minister.

Mr Gennady Gerasimov, Soviet Foreign Ministry spokesman, yesterday denied Mr Gorbachev would counter British criticism of Moscow's human rights record with a *systematic attack* on Britain's treatment of alleged Irish terrorists.

But he did confirm that Soviet experts would be available to discuss human rights during Mr Gorbachev's visit.

Whatever his stance on British human rights, Mr Gorbachev is expected to seek credit for two recent Kremlin moves *in that sphere.*

Moscow has stopped jamming US, West German and Israeli broadcasts into the Soviet Union, and it has relaxed security restrictions on a gronp of would-be émigrés previously refused exit visas.

The Kremlin also recently dropped its insistence that the West agree to a buman rights conference before the conclusion of the European security talks in Vienna, and the start of conventional arms talks.

Lacklustre market greets first day for British Steel issue

By Philip Coggan in London

BRITISH Steel shares achieved only a modest 2¾p premium yesterday, the first day of dealings, as the gloomy London stock market took its toll on the prospects for the UK Government's latest privatisation issue.

The shares reached a high of *63p, compared with the 60p* first instalment price, in early trading but quickly slipped back, with some market-makers quoting a bid price of 58½p at one stage. In late trading, the shares recovered to 62¾p.

The minimal premium will have been a disappointment to those stags who hoped that the oversubscription of the public offer might lead to instant profits. A small investor, who was allocated 400 shares, would make a loss after dealing costs *if* he sold while prices remained at the current level.

Yesterday's turnover in Steel was 261m shares, over one eighth of the equity, although that figure will inclnde the donble-counting of deals between market-makers.

On the options floor, around 20,500 contracts were traded, *equivalent to some 20m shares.*

Most of the business was conducted in the first few minutes with 5m shares traded in *the first minnte* and 104m shares traded in the first 10 minutes. Private investors will not be sent their allotment letters until next *Monday.*

When the Steel price was first announced, the Government was charged with selling the company "on the cheap" at £2.5bn ($4.35bn).

However, ever since the prospectus was issued on November 23, the stock market has been in retreat.

In the wake of October's record *trade deficit* and the subsequent rise in interest rates, the FT-SE 100 Index has dropped by 4 per cent in the last fortnight. Yesterday, the index fell a further 17.7 points at one stage before recovering on the back of a buoyant Wall Street to close 3.4 points lower at 1,761.6.

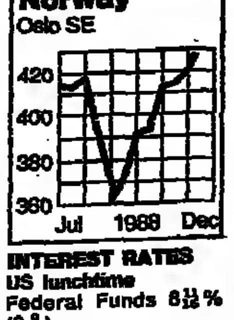
Despite the uncertain stock market, some applicants appear to have attempted to grab more than their fair share *of British Steel shares.* Touche Ross, the accountancy firm, said yesterday it was investigating around 2,000 applications for possible fraud.

A search of the application lists, which involves cross-checking names and addresses against snggested multiple applicants in previous privatisations, is continuing.

● Sir Robert Scholey, British Steel's chairman, was yesterday awarded the title of J O Hambro Businessman of the Year.

Lex, Page 26. Steel stags dismayed, London Stock Exchange, Page 41

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 8⅛% (8⅛)
3-mth Treasury Bills: yield: 8.26% (8.308)
Long Bond: 98⅛ (98⅛)
yield: 9.13% (9.162)
London
3-month interbank: close 13⅛% (13⅛)

STERLING
New York lunchtime
$1.87 (1.866)
London:
$1.87 (1.8565)
DM3.2245 (3.21)
FFr11.0135 (10.9725)
SFr2.6997 (2.6925)
Y227.01 (225.25)

DOLLAR
New York lunchtime
DM1.7244 (1.722)
FFr5.8875 (5.886)
SFr1.4432 (1.44275)
Y121.41 (121.275)
London:
DM1.7245 (1.729)
FFr5.89 (5.91)
SFr1.4446 (1.45)
Y121.5 (121.4)

GOLD
New York latest Comex Feb
$436 (436.7)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,126.24 (+33.9)
S&P Comp
275.09 (+3.26)
London:
FT-SE 100
1761.6 (-3.4)
World:
138.27 (Fri)
Tokyo
Nikkei Ave
29,814.68 (-50.82)
Frankfurt
Commerzbank
1599.9 (-1.3)

OIL
Brent 15-day (Argus)
$14.675 (-17.5cts) (Dec)
West Tex Crude
$15.565 (-15cts) (Jan)

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Budapest faces deep divide over multi-party system

Hungarian party leader Karoly Grosz warned opposition groups which "oppose socialism" that they would not be allowed to establish political parties in the future. Page 3

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EUROPEAN NEWS

Protests subside in Azerbaijan region

By John Lloyd in Moscow

OBSERVERS and officials in both Armenia and Azerbaijan reported last night that overt incidents of violence or protest had fallen to their lowest level in the past two weeks of troubles.

The atmosphere in both republics, however, remained tense and the numbers of refugees was still increasing.

Lieutenant-General Samsonov, military commander in Armenia, said the curfew, which had been in force from 10pm to 6am, had been reduced, but he did not say to what hours.

Since November 24, when it was imposed, the security forces have detained 2,412 people and arrested 32 of those. In Baku, the capital of Azerbaijan, on Sunday troops cleared crowds from the central square which has been used as a meeting ground for the past two weeks.

Mr Elsin Bagirov, a Foreign Ministry official, told Reuters news agency that "despite rumours to the contrary, I can state categorically that no-one was killed. But I am not sure about the number of injured."

The refugee problem in republics already short of homes now takes on the aspect of a major disaster.

Estimates of the numbers crossing the border in both directions run at 100,000 Azeris fleeing from Armenia, largely to Baku, and about 70,000 Armenians fleeing from Azerbaijan, largely to Yerevan, the Armenian capital.

In Armenia, a special fund established to assist the refugee now totals 1m roubles ($1.7m).

The Karabakh committee, the Armenian group which has kept alive the issue of Nagorno-Karabakh, the Armenian enclave in Azerbaijan, is now increasingly assuming the role of a popular front of the kind seen in the Baltic states.

It called for an end to strikes in Armenia over the weekend but at the same time rejected the measures taken in Moscow to address the issue.

The Soviet Government has appointed a further commission to investigate the problem and report - without making clear whether it supersedes or works with an already-appointed group, the Voss commission, which (as far as is known) has not yet reported.

Mr Mikhail Gorbachev, the Soviet leader, has said that Nagorno-Karabakh will remain under the authority of Azerbaijan, although its Armenian majority presently does not acknowledge Azeri sovereignty.

Gorbachev sees chance to dispel the gloom

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, sets off today on a hectic international trip designed to maintain the momentum of Soviet foreign policy at a time of gathering gloom on the domestic front.

His eight-day tour to New York, Havana and London, organised at short notice in spite of a daunting reform programme in Moscow, seems guaranteed to keep the Western world guessing at the possibility of new initiatives. It will also provide a welcome opportunity for Mr Gorbachev to stress his foreign policy successes for his audience back home, battered by images of racial strife in Armenia and Azerbaijan, rising nationalism in the Baltic republics and little sign of economic recovery stimulated by his policies of perestroika.

He will make a major speech to the UN General Assembly tomorrow, underlining the Soviet Union's relatively new-found commitment to the use of the international organisation in promoting peaceful settlements to international conflicts. Apart from reiterating his proposal for the elimination of all nuclear weapons by the end of the century, he may well focus on the need for co-ordinated international action on the environment.

Afghanistan seems certain to figure high on the agenda of talks with the UN Secretary-General Mr Javier Perez de Cuellar, as well as with President Reagan and President-elect Bush, whom he is scheduled to meet for lunch tomorrow on Governor's Island in New York harbour. The Soviet Union is anxiously searching for ways to secure a dignified withdrawal from Afghanistan by the February 15 deadline set by this year's Geneva peace agreement. It wants Mr Perez de Cuellar to organise another international conference.

Soviet officials held their first high-level talks with Afghan rebel leaders in Saudi Arabia at the weekend and the rebel chiefs reportedly promised to reconsider their previous rejection of the proposal for a conference.

US officials expect Mr Gorbachev to stress the positive rather than the negative in his UN speech, although he may well be tempted to emphasise US isolation over its refusal of a visa for Mr Yassir Arafat, the Palestine Liberation Organisation leader, to address the UN assembly. The Soviet Union appears to be expecting rather more substance from Mr Gorbachev's final meeting with President Reagan than is suggested by senior US officials. Soviet officials say that all four subjects of summit agendas – disarmament, human rights, regional conflicts and bilateral relations – will be covered, mentioning specifically moves on Afghanistan, Central America and the Middle East.

The US describes the event as "clearly not a summit" but "an opportunity to touch base," in the words of one senior official. Mr Gorbachev flies from the bastion of capitalism where he will also have talks with US businessmen on possible further joint ventures – to reassure his major ally in the region, Cuba, of his continuing strong support. In spite of President Fidel Castro's obvious doubts about perestroika, Mr Gorbachev is going as Cuba's major ally and financial backer, not as a critic.

He has reason to be grateful for Cuba's acceptance of the Angola peace initiative, but he is also likely to stress that the Soviet Union cannot afford to provide indefinite economic support. Cuba will also be the venue to address the major concerns of Latin America, including indebtedness and the war in Nicaragua. The final balance to the trip – covering both the capitalist world and the Socialist, Europe and America – will come from the Soviet leader's visit to London for talks with Mrs Margaret Thatcher. She is one of his favourite interlocutors, despite their differences over nuclear deterrence. The Kremlin also understands her relatively nationalistic attitude towards the European Community, whose plans for a single market by 1992 are regarded with some trepidation in Moscow.

Soviet backing for US presence in Europe

By David Goodhart in Bonn

SOVIET officials at a private conference in Bonn have made one of the strongest statements to date about Moscow's support for the US presence within the "European House".

A report in Die Welt newspaper from one of the participants at a Bergedorf Circle meeting, designed for top level private exchanges between West Germany and the Soviet Union, states that the latter fears a US withdrawal from Europe, believing it would destabilise the area and revive old rivalries.

The report states that the Soviet delegation considered the continuing US role not only possible but necessary. The delegation included a central committee member, Mr Vadim Zagladin, and the Soviet ambassador to West Germany, Mr Yuli Kvitsinky.

The West German group, which included senior officials and politicians like Mr Horst Teltschik and Mr Voelker Ruehe, were reported to be astonished at some of these remarks and at Mr Sagladin's accommodating positions on defence and disarmament.

Compromise proposals were also floated on a phased reduction in short-range nuclear missiles in Europe as opposed to the third zero option of phasing them out altogether.

The West German Government is currently divided on the issue.

Sutherland warning on protectionism

By William Dawkins in Brussels

EUROPEAN COMMUNITY competition rules must not be used as a protectionist weapon against non-EC companies, Mr Peter Sutherland, the competition Commissioner, warned yesterday.

"Closing off Europe from competition which comes from abroad also acts as a deterrent to efficiency," he told a seminar arranged by the American Chamber of Commerce.

Mr Sutherland's remarks came a day after EC governments gave their clearest assurance so far that they would adopt liberal trade policies in the run-up to the 1992 creation of a free single market and that Europe would not "turn in on itself."

While the debate about EC trade policy appears to be resolving itself, the Community has only begun to address how it will apply competition rules to foreign companies, including its controversial draft merger control regulation, now under consideration by a divided Council of Ministers.

Mr Sutherland insisted that there could be no exceptions to EC rules against anti-competitive industrial agreements, even when fierce non-Community competition was involved. Any attempt to create a fortress Europe "would be contradicting our own logic," said Mr Sutherland.

"We are not in the business of boosting our own development through the internal market strategy only to puncture it through a policy of economic isolationism."

He called on EC trade and industry ministers to adopt his merger control proposal – which has been deadlocked in one form or another for 16 years – at their final meeting this year on December 21, and thus complete a badly needed framework for acquisitive companies to conduct cross-frontier takeovers in the barrier-free market.

"We hope . . . finally to lay to rest a debats which has taken far too long," said Mr Sutherland.

Paris faces further transport disruption

By George Graham in Paris

POURING RAIN yesterday heralded another difficult week for Paris commuters, as striking public transport workers continued to shut down the suburban express rail network and seriously disrupted bus and metro services.

Public transport services continued to be interrupted in Marseille and Toulouse but the Lyon transport strike is now over and postal workers in Clermont-Ferrand agreed yesterday to go back to work.

The week may be trying, too, for the Socialist Government of Mr Michel Rocard. The right-wing RPR party plans to lay down a censure motion in Parliament this afternoon.

A glimmer of hope for an end to the Paris transport conflict emerged, however, as trade union delegates again met a Government-appointed mediator after three days in which negotiations appeared to have reached a complete standstill. Mr Bernard Brunhes, the mediator, made new pay proposals in talks yesterday with four of the more moderate unions. The Communist CGT union was due to meet Mr Brunhes later in the evening.

The gap between the moderate unions, who claim a FFr300 ($53) a month increase, and the hardline CGT, which is demanding FFr1,000 a month, has widened in recent days. Mr Jean Kaspar, new secretary-general of the CFDT union, has attacked the "irresponsible" attitude of the CGT and accused it of playing the Communist party's tune.

An opinion poll published last Sunday by Le Journal du Dimanche showed that 29 per cent of those questioned blamed the CGT for the strikes, while 17 per cent blamed the unions in general. The same poll showed that only 16 per cent blamed the Government for the strikes. This will complicate the RPR's censure motion, which already stood little chance of being passed.

Passport for Walesa

Polish authorities gave Mr Lech Walesa, leader of the banned Solidarity union, a passport yesterday for the first time in seven years, Reuter reports from Warsaw.

It was the first time the authorities had granted Mr Walesa permission to travel abroad since martial law was imposed.

Mr Walesa plans to fly to Paris on Friday.

Kosovo decision

THE Communist Party in Yugoslavia's troubled Kosovo province decided yesterday against reinstatement of two ousted ethnic Albanian leaders who were blamed by Belgrade for being soft on separatists, Reuter reports from Belgrade.

The removal of the two last month triggered a wave of protests by ethnic Albanians in the provincial capital Pristina.

Belgrade expels three Australian diplomats

YUGOSLAVIA yesterday expelled three Australian diplomats in retaliation for the closure of the Yugoslav consulate in Sydney and expulsion of its staff, Belgrade radio said, Reuter reports from Belgrade.

It said Assistant Foreign Minister Drago Mirosic handed a note to Mr Peter Shannon, the Australian chargé d'affaires in Belgrade, declaring three officials of the Australian embassy in Belgrade personae non gratis.

They were ordered to leave Yugoslavia within seven days, the radio said.

The move was announced less than four hours after the staff of the closed Yugoslav consulate in Sydney arrived back in Belgrade.

The note said Yugoslavia made the move to protect its "interests and dignity."

Australia closed the mission after Yugoslavia refused to hand over a consulate guard who shot and wounded a 16-year-old Croatian emigre during a demonstration.

Yugoslavia said the guard was shooting in the air when demonstrators tried to invade the consulate grounds.

The note said the Australian Government's decision to close the Sydney consulate was "totally groundless."

Mr Budimir Loncar, the Yugoslav Foreign Minister gave warning last week that Yugoslavia would retaliate with "appropriate measures."

Relations between Yugoslavia and Australia, generally friendly, have been aggravated occasionally by the activities of Yugoslav emigrants in Australia.

Western diplomats in Belgrade said Yugoslavia had carefully pondered its move to take into account the interests of about 300,000 Yugoslavs in Australia, most of whom were friendly to their country of origin.

They said the decision was obviously reached after consultations with Mr Stanojlo Glisic, the expelled consul.

Danish former bank chief imprisoned

The former chief executive of Kronenbank, a Danish commercial bank which collapsed in 1984, has been sentenced to three years in jail, writes Hilary Barnes in Copenhagen. Mr W. B. Hansen was found guilty of "breach of trust" charges covering DKr600m (£50m), the value of loans given without security and in contravention of bank lending regulations.

Kronebank was absorbed by another bank after its operations were suspended and in the end neither depositors nor shareholders lost money.

FINANCIAL TIMES

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N-plant incident sparks safety row in W Germany

By David Goodhart in Bonn

THE REVELATION that an incident occurred a year ago in a West German nuclear power station which could conceivably have led to a core meltdown has stimulated a serious public row about safety and secrecy in the German industry.

The US-based nuclear industry publication Nucleonics Week reported that the US safety authorities were studying the accident at the pressurised water reactor at Biblis, near Frankfurt, which led to a small release of radioactivity, but which, some experts believe, could have become far more serious.

The incident, which involved the failure to close a valve properly when the station was restarted after a temporary shutdown, was never made public.

But soon after it occurred the West German reactor safety organisation began an investigation, which concluded that if several other failures had occurred a melt-down could have begun.

The organisation added that such a chain of events was "highly improbable". But the study did result in alterations at all West German PWR's and start-up procedures were rewritten.

The West German safety authorities then placed information on the event into the OECD nuclear energy agency's incident reporting system but marked it secret.

According to Nucleonics Week, US experts are divided on the seriousness of the incident but one was reported as saying that it would have been regarded as a "top level" safety event in the US.

Mr Klaus Toepfer, the West German Environment Minister, told a news conference yesterday that there was no danger of a massive release of radioactivity and that the company, RWE, and the nuclear authorities had been quite justified in keeping the incident secret. He added that if it had been made public it would have caused unnecessary anxiety.

Far right pours cash into European poll

By David Marsh in Bonn

WEST GERMANY'S leading ultra-right party, the Deutsche Volksunion (DVU), plans to spend at least DM12m (£3.75m) fighting next summer's European Parliament elections.

This is easily the largest sum spent on a polling campaign by the country's extreme right and underlines how political radicals in West Germany are trying to occupy the vacuum left by the death two months ago of Mr Franz Josef Strauss, the right-wing Prime Minister of Bavaria.

Mr Martin Mussgnug, chairman of West Germany's neo-Nazi National Democratic Party (NPD), which is supporting the DVU in next year's elections, said the parties together hoped to cross the 5 per cent hurdle which would allow representation in the European Parliament.

He admitted that they were concentrating their efforts on the European election because the relatively low turnout increased the chances of crossing the 5 per cent barrier.

"With success behind us, we will launch a chain reaction leading to the federal (German) elections a year and a half later," he said in an interview at the NPD's headquarters in Stuttgart.

The DM12m figure surprised officials of the main political parties in Bonn. The Social Democrats (SPD) aim to spend DM52m on the campaign, while the Christian Democratic Union (CDU) will commit around DM30m. One CDU official said yesterday the far-right funding was "a lot", adding bravely: "They still will not be elected."

The funding, which has been organised by the DVU's founder and chairman, Dr Gerhard Frey, a Munich publisher, compares with only DM750,000 committed by the NPD to the last general election in January 1987, said Mr Mussgnug. DM5m would be spent before the European election on June 18 in sending campaign literature to every voter in the country, with further amounts going on posters and television advertising.

Opinion polls and increased attendance at party meetings suggest that the far right is picking up support on the fringes of politics.

Even though popularity is measured in only a few percentage points of the vote, it is important enough in West Germany's proportional electoral system to be causing worry at the established conservative parties, the CDU and Mr Strauss's Bavarian Christian Social Union.

New interest in the far right has been clearly increased by the death of Mr Strauss. His charisma persuaded some extreme right-wing sympathisers to support the mainstream conservative parties. Discontent over issues like law and order and inflows of foreigners is causing such voters to consider transferring their allegiance.

Regarding controversy over refugees in West Germany, Mr Franz Schoenhuber, leader of another far-right West German party, the Munich-based Republicans, said: "The anger of the people has reached such a pitch that we could have real hatred of foreigners. People want bread and security. With all these foreigners, we are importing civil war."

According to Mr Mussgnug, continual reflection in West Germany about the Nazi past – such as the recent commemoration of the 50th anniversary of the anti-Jewish pogroms of November 1938 – is leading to public irritation.

"The number of anniversaries in Germany is overdone. Next year we will have the 50th anniversary of the start of the Second World War, the 75th anniversary of 1914, and the 100th birthday of Hitler. This is a permanent occasion – all this looking at the sins of our past leads to defiance."

Budapest faces deep divide over multi-party system

Leslie Colitt reports that the one-party state is likely to remain while Government and Politburo stay linked

A potentially serious split has developed in the Hungarian leadership over the prospects for a multi-party system in the Communist state.

Mr Karoly Grosz, the party leader, warned this week that opposition groups which "oppose Socialism" would not be allowed to establish political parties in the future. The party appears to favour an eventual coalition with the Hungarian Democratic Forum, a group of moderate intellectuals, which has raised fears of a new power-sharing arrangement excluding most Hungarians.

Mr Grosz's tough remarks contrasted sharply with the views of Mr Imre Pozsgay, leading reformer in the ruling Politburo. Mr Pozsgay said last month that genuine political parties would have to be formed "from below" even if it meant a struggle with the Communist Party.

The two politicians – Mr Grosz, a pragmatic conservative, and Mr Poszgay, a liberal Euro-Communist – formed a political alliance which last May ousted Mr Janos Kadar, the party leader. He was blamed for alienating the masses and steering Hungary to the brink of bankruptcy.

Party officials in Budapest said Mr Pozsgay would find it increasingly difficult to gain support in the Politburo for his radical reformist views.

Sharp differences between the two men also emerged over Mr Grosz's claim that the Government enjoyed a wide degree of independence from the party. Pressed by a Hungarian reporter to comment on the fact that Mr Miklos Nemeth, the newly-chosen prime minister, is also a member of the Politburo, Mr Pozsgay agreed that in future party and government posts would have to be separated.

Mr Grosz's choice last month of Mr Nemeth to succeed him as Prime Minister deeply disappointed the reformist wing of the central committee, where he had served as secretary for the economy.

Mr Nemeth was given the task of carrying out economic and political reform programmes which many Hungarians regard with scepticism.

> Pressed by a Hungarian reporter to comment on the fact that Mr Miklos Nemeth, the newly-chosen prime minister, is also a member of the Politburo, Mr Pozsgay agreed that in future party and government posts would have to be separated

"People have little trust in the Government's economic programme and with good reason," a senior Hungarian economics official admitted. "In the past the Government always promised less inflation and more economic restructuring, but the opposite happened."

He added candidly that as long as the Prime Minister was responsible to the party and not parliament, and government ministers were responsible to bureaucratic lobbies rather than the Prime Minister, the Government's programme had little chance of being carried out.

"The realisation of policies in the one-party system is terrible and there is no learning process," he noted.

Mr Grosz earlier this year compared Hungary's dire economic situation with that of Britain 10 years ago. But there is a decisive difference: the British Prime Minister was able to carry out radical and often unpopular reforms based on a majority in a freely elected parliament. Parliament in Budapest remains a creature of the party despite.

The party leadership is painfully aware of its lack of legitimacy, but a majority in the Politburo is afraid to move too quickly on political and economic reforms.

"The leadership is still afraid of a repeat of 1956 if the economic situation deteriorates," noted Mr Geza Jeszensky, a historian and founding member of the Hungarian Democratic Forum.

Fear of a 1956-style uprising could cause the party to apply the brakes on the economic reforms at the first sign of unrest over rising inflation and unemployment.

Senior officials in Budapest leave little doubt that the failure of the economic reforms would spell the end of Mr Nemeth's political career.

"My personal ambitions were a minor issue in accepting this post," the 40-year-old Mr Nemeth conceded after his selection last month. The central committee's first choice, Mr Rezső Nyers, the architect of Hungary's economic reforms in 1968, declined to take on one of the riskiest jobs in eastern Europe. Instead he accepted the post of Minister of State for the Economy, in effect an adviser to Mr Nemeth.

Hungarian officials note that the new prime minister's stature suffered from the start from the fact that he faithfully served the disastrous economic policy of the previous leadership.

Mr Nemeth was first deputy head and later head of the central committee's influential economic department under the now disgraced prime minister, Mr György Lazar. As head of the Government, Mr Lazar loyally carried out the party's previous policy of incurring heavy foreign debts without attempting to restructure industry.

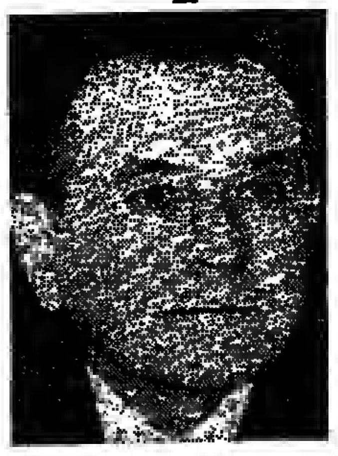
Mr Nemeth, however, assumes responsibility for slashing subsidies to loss-making companies, curbing inflation as well as the current account deficit, while at the same time liberalising imports – goals which are regarded by most Hungarian economists as being mutually exclusive.

Caught up in this apparent contradiction, the Government has assured the population that it wants to reduce inflation next year while at the same time telling Hungary's Western creditors that priority will be given to cutting subsidies – which will lead to higher prices.

Mr Janos Hoos, chairman of the planning commission, last week publicly forecast 12 per cent to 15 per cent inflation next year compared with 17.8 per cent at present. Meanwhile Mr Nemeth reminded Western correspondents that curbing subsidies to unprofitable companies meant higher inflation.

"I never said there would be lower inflation next year," he insisted. The Government would start to concentrate on an anti-inflation policy "two years from now," he said.

"I am afraid that whatever the Government does the majority will say it is stepping back," Mr György Marosan, the government spokesman, predicted last month.




At odds over political future: Karoly Grosz (left), pragmatic conservative, and Imre Pozsgay, liberal Euro-Communist

Honecker signals his intention to stay on

By Leslie Colitt in Berlin

MR ERICH HONECKER, the orthodox 76-year-old East German leader, has clearly indicated that he intends to continue in his post at least until the next party congress in May 1990.

Differences between Mr Honecker and the reform-minded leadership in the Soviet Union had heightened speculation that he might decide to step down earlier as Communist party chief.

East German newspapers last weekend published the schedule of the party congress which provided for an address by Mr Honecker to his central committee.

The East German leader told a meeting of the central committee late last week that it was an "illusion" to believe that a wedge could be driven between the Soviet Union and East Germany.

He attacked "wild philistines" who were trying to rewrite Soviet history in a "bourgeois manner".

East Germany only recently banned the Soviet publication Sputnik which had carried several articles condemning Stalin and the Stalin-Hitler pact and banned Soviet films dealing with the Stalin era.

Mr Honecker said East Germany would adhere to the central planning system which he claimed had given it a higher standard of living than in West Germany.

However, he acknowledged that shortages of consumer goods had developed in the country, which had made it necessary to make unplanned imports from the West.

More bombs explode in Athens

By Andriana Ierodiaconou in Athens

A WAVE of terrorist bombs, the second to hit the Greek capital in four days, went off in Athens early yesterday.

Of the four bombs, two were targeted against cars owned by opposition Conservative deputies, and a third against a local Conservative party headquarters in the northern suburb of Ellinorosson. A fourth bomb struck the local headquarters of the ruling Socialist party (Pasok) in the same area.

The attacks, for which responsibility was claimed by a hitherto unknown terrorist group called "Social Resistance", caused material damage only.

Three bombs, all directed at European Community-related targets, exploded in the Greek capital in the early hours of Friday, hours before the start of the EC summit on Rhodes. There were no injuries.

Responsibility for those attacks was claimed by the "Revolutionary Popular Struggle", a shadowy terrorist organisation with a record of bombing going back to the 1970s.

● Mrs Margaret Papandreou, wife of the Greek Prime Minister, said yesterday she was ready to discuss divorce with her husband. "I have asked him to do so long ago," she said.

OVERSEAS NEWS

Shamir allowed extra time to form coalition

By Andrew Whitley in Jerusalem

PRESIDENT Chaim Herzog in Israel yesterday gave Mr Yitzhak Shamir, the Likud leader and caretaker Prime Minister, a further three weeks in which to form a new coalition government.

The Irish-born president, whose political functions are strictly limited, took the opportunity to repeat an earlier appeal to both major parties – Likud and Labour – to reconcile their differences and to form a broad-based, national unity government.

Acknowledging the unusual nature of this intervention to the coalition-forming process, Mr Herzog said his conscience obliged him to press for a government which could bring stability to the country. He also pleaded with Israel's parties to reform the electoral system.

But, after the fiasco of his last attempt to build bridges to Labour, Mr Shamir appears determined to press ahead with negotiations for a narrow coalition made up of the Likud, three small, extreme right wing parties and four religious factions. On paper this alliance would give him 65 seats in the 120-seat Knesset.

Although he had not abandoned the idea of bringing Labour into the government, the prime minister-designate said this could take some time, "maybe a month, maybe a year". For the moment, he was confident of being able within the next few days to reconstruct his original political combination.

Sizeable sections of both Labour and Likud were volubly unhappy yesterday about the latest twist of events. Within Labour's warring political camps, headed respectively by Mr Shimon Peres and Mr Yitzhak Rabin, mutual recriminations are flying over last week's abortive attempt to forge a "blocking majority" with an ultra-Orthodox party, Agudat Yisrael. While both declared themselves reconciled to going into opposition, they left the door open to another approach from Mr Shamir.

Arafat to meet group of US Jews

MR Yassir Arafat, the chairman of the Palestine Liberation Organisation who is seeking to project a more moderate image, will meet a group of influential American Jews to Stockholm today, the Swedish Foreign Ministry said, Reuter reports.

Mr Ingvar Carlsson, the Prime Minister, said later in Paris that he was leaving a meeting there of the Socialist International early to welcome Mr Arafat.

"If a dialogue can be started between the two parties it would be a major breakthrough," he said.

The Foreign Ministry said the meeting would take place at the initiative of Mr Sten Andersson, Foreign Minister, who had invited Mr Arafat and the US delegation.

The names of the US representatives were not revealed but the ministry said they were well-known personalities.

"The meeting is part of Sweden's efforts to seek to contribute to the peace process in the Middle East. It has been planned for quite some time," said the ministry.

Mr Arafat was also scheduled to lay a wreath at the grave of Sweden's late Prime minister Mr Olof Palme, assassinated in 1986.

"But it is not Sweden's government and the PLO who are meeting. This is purely a meeting between Jewish representatives and the PLO," the ministry added.

IMF tried by pace of Cairo reform

Tony Walker on a report about Egypt's debt-burdened economy

EGYPT WILL require greatly increased foreign aid and concessional financing if it is to meet obligations on its $43bn external debt through the 1990s, the International Monetary Fund has forecast in its latest report on the Egyptian economy.

The Fund warns that "even if Egypt sustains a strong adjustment programme well into the medium term, debt service obligations are of such magnitude that the external position cannot become viable without greatly increased concessionality in external financing and/or sharply stepped up foreign aid levels on concessional terms".

The IMF report, which reviews the Fund's recent troubled relationship with Egypt, reveals a barely concealed exasperation at stuttering progress towards economic reform. Its tone suggests that a huge gap still exists between the IMF's proposed reforms and Egypt's willingness to comply.

The IMF and Egypt have been locked in desultory negotiations for the past year since the collapse to June, 1987 of a reform programme, agreed just one month before. The May, 1987 SDR 250m (£185m) IMF standby agreement facilitated a Paris Club rescheduling of about $8bn of arrears and payments due on Egypt's official debt between January, 1987 and June, 1988. The Fund reported that Egypt drew down SDR 116m, before the "arrangement became inoperative" because of the "accumulation of new external debt arrears, the contracting of short and medium-term external debt and the intensification of exchange restrictions".

The IMF forecasts that even with a rigorously applied reform programme, including substantial reductions in the budget deficit, sharp increases in energy prices and a further liberalisation of the pricing system, Egypt will be hard-pressed to limit its balance of payments deficit to an average of $3.2bn between 1988/89 and 1991/92.

Egypt, with reserves at $1.5bn (sufficient to cover nine weeks of imports) at the end of financial year last June, has suspended virtually all debt repayments except for meeting its interest obligations to the 17 countries who were party to last year's Paris Club rescheduling. Officials are telling creditors that Egypt has stopped servicing debts pending a fresh IMF agreement which would open the way for a second Paris Club rescheduling of official debt.

The Fund predicts that in the next four years debt rescheduling should enable Egypt to reduce its annual external financing gap from the present $3.5bn to $2bn, but that the expiry of grace periods on deferred debt payments by the early 1990s will bring strong renewed pressures.

In the meantime, the IMF is urging Egypt not to delay further the implementation of reforms. "Delaying adjustments might very well be more costly subsequently in economic and social terms as it could necessitate even stronger and less socially acceptable actions," the report states. Among measures that the IMF is pressing Egypt to adopt are:

● Decisive action to reduce the budget deficit through "quick-yielding" revenue measures such as energy price rises and a comprehensive overhaul of the tax system, including the introduction of a general sales tax.

● The sharp curtailment of subsidies to public sector enterprises by "allowing full pricing autonomy to virtually all public companies".

● The introduction of "internationally competitive, positive real interest rates", accompanied by credit restrictions.

● The full unification of various rates of exchange and trade liberalisation "in order to achieve the needed substantial growth in Egypt's non-oil exports and import-competing sectors".

The IMF commended some of the measures adopted by Egypt recently such as reforms of the agricultural pricing system which had encouraged increased production, but it warned that favorable developments were being more than offset by "slippages in policy implementation". Egypt also had to contend with "adverse external developments".

These included the renewed weakening of world petroleum prices as well as a much lower than expected level of gross capital inflows. "New money, which was anticipated (in 1987-88) at $700m to close the external financing gap, did not materialise, while there was also a $300m shortfall in suppliers' credits," the IMF reported.

The IMF was especially critical of the 25 per cent increase in 1987-88 in the government wages bill without offsetting revenue raising measures. This had added substantially to pressures on the budget deficit which exceeded 17 per cent of GDP compared with an agreed target in the May, 1987 programme of 13 per cent of GDP.

The IMF document emphasised fundamental policy differences with Egypt over the pace of reform. Egypt, which is struggling to cope with a worrying bout of inflation of 25-30 per cent, has asked the IMF to agree to more gradual reforms to avoid public unrest over price rises.

The IMF warns on the other hand that in the absence of a substantial increase in donor assistance – and there is no sign of this materialising – Egypt has little choice but to institute a more rigorous policy of reforms. ". . . a more gradual adjustment approach would ultimately be more costly and disruptive due to intensification of cost/price distortions and further weakening of the balance of ayments and growth," it says.

Manila to receive Japanese farm aid

THE Philippines will receive up to Y3.15bn (£14m) in grant aid from Japan for agricultural development projects for fiscal 1988, the Japanese Foreign Ministry said yesterday, AP-DJ reports from Tokyo.

The assistance is part of expanding support for the government of President Corazon Aquino. Grant aid in other categories was made earlier this year.

The Foreign Ministry said last week that to conventional loan support Japan had decided to increase its loans to the Philippines by slightly over 10 per cent to Y88.5bn in fiscal 1989.

The latest lending compares with a total of Y80.29bn in 1987. The money will be channelled through Japan's Overseas Economic Co-operation Fund.

Bangladesh cyclone toll put at 2,000

BANGLADESH struggled yesterday to bury at least 2,000 people killed in the cyclone which struck on November 29 and launched relief efforts for survivors, Reuter reports from Dhaka.

About 45,000 volunteers and servicemen handed out food to the survivors of the cyclone on November 29. Officials said some teams sent to bury the dead abandoned the work because of the stench from human and animal corpses.

Latest official figures put the number of confirmed dead at 2,000. At least 15,000 people were still missing.

Ishaq Khan seeks presidency

MR GHULAM ISHAQ KHAN, Pakistan's acting head of state, yesterday became the first candidate for a December 12 election to a five-year term as president, Reuter writes from Islamabad.

The successor to late President Mohammad Zia ul-Haq will be chosen by an electoral college of national and provincial legislators.

Mr Ishaq Khan, 73, took over as acting president in August on Gen Zia's death in an air crash. He was considered likely to be elected easily by the college unless the Pakistan People's Party of Ms Benazir Bhutto, the new Prime Minister, puts up its own candidate.

Ms Bhutto, 35, went out of her way in her first address as prime minister last Friday to praise Mr Ishaq Khan's role in helping return Pakistan to elected government after Gen Zia's 11-year military rule.

Unpaid Nigerian railmen strike

A STRIKE by Nigerian railway workers over unpaid wages entered its second week on Monday, leaving train services paralysed nationwide, Reuter writes from Lagos.

At the weekend the rail workers, who have not been paid since August, won the support of the association representing senior staff in government-run concerns.

The association told the National Concord newspaper it had given the Government a 21-day ultimatum threatening a nationwide work stoppage if it did "not act to reverse the decline of the Nigerian Railway Corporation".

Last week the Government made a grant of Naira 24m (£2.47m) to the corporation, which had asked for Naira 77m to cover the unpaid salaries. The corporation offered to use the grant to pay September and October salaries.

Pretoria ponders Angola options

By Anthony Robinson in Johannesburg

SOUTH Africa's State Security Council gathered in Cape Town yesterday to assess prospects for a further round of Angolan peace talks. The meeting followed the South African delegation's weekend walk-out from the Angolan peace talks in Brazzaville and Cuban threats to continue the war for another 10 years.

On the agenda at the meeting of senior cabinet ministers and security chiefs chaired by President P.W. Botha was a review of the talks thus far, proposed measures to verify and monitor Cuban troop withdrawals and the broader political implications of an eventual Angolan peace deal linked to Namibian independence.

The South African decision to leave Brazzaville without signing a formal protocol ratifying the troop withdrawal agreement reached in Geneva last month is reported to have angered the US mediating team led by Mr Chester Crocker which has spent the last six months helping Angola, Cuba and South Africa narrow differences on the timing and manner of the withdrawal of 50,000 Cuban troops from Angola.

The Americans believe that withdrawal can be effectively monitored by satellite and other means. But Pretoria fears a Cuban troop pullout which stopped or even reversed itself once Namibia achieved independence half way through the withdrawal period. Hence its insistence on a water-tight monitoring format and the creation of a satisfactory body to investigate any alleged violations.

● Mr Charles Bester, an 18-year-old conscientious objector, was jailed for six years by a Johannesburg court yesterday for refusing to serve in South Africa's "racist" army.

Zairean move puzzles Belgium

By David Buchan in Brussels

THE BELGIAN Government was yesterday awaiting official confirmation of Zaire's surprise order to all its citizens to pull their money out of Belgium and abandon their studies there by the end of this month.

Some 15,000 Zaireans currently live in Belgium, many of them long-term residents owning property and businesses. For them all to realise their assets within the next three weeks appears next to impossible, while many of the 3,000-4,000 who are students were yesterday expressing, in local radio interviews, their unwillingness to drop their studies at President Mobutu's behest.

The latest row, described yesterday by one Belgian expert on Zaire as "political cinema," started with last month's visit by Mr Wilfried Martens, the Prime Minister of Belgium, to his country's former colony.

He offered to write off one fifth of Zaire's BFrs5bn (£75m) debt to Belgium, and said he would consider debt relief on BFrs17bn worth of Zairean commercial underwritten by the Belgian Ducroire national insurance office, in the context of wider Western efforts to reschedule sub-Saharan Africa's debt.

Estimate raised of NZ gas reserves

NEW ZEALAND'S big onshore natural gas field, Kapuni, contains much greater reserves of gas than previously estimated according to reports, Dai Hayward reports from Wellington.

The company which operates the field, Shell, BP and Todd Oil Services, is to start a NZ$16m (£5.7m) three-dimensional survey to gain a clearer picture of the field's layout. Kapuni has operated for 19 years and had 14 wells drilled.

Malaysia proposes to introduce value added tax by 1990

By Robin Pauley, Asia Editor, in Kuala Lumpur

VALUE ADDED tax will be introduced in Malaysia no later than 1990, according to Mr Daim Zainuddin, the Minister of Finance.

Mr Daim said in his budget speech in October that introduction of Vat should be considered because of the need to broaden the tax base, but he has always refused to be drawn on how or when such a tax could or would be introduced.

"Personally I wanted to introduce Vat in 1985 so it is already running very late for me," said Mr Daim, who was brought in from the private sector to be Finance Minister by Dr Mahathir Mohamed, the Prime Minister, in 1984.

"I hope to be able to introduce Vat by 1990 at the latest and I see no excuse if they (the civil servants) say they are not ready by then. I'm already behind time," he said. As Malaysia's budget day is in October, Mr Daim's comments mean that he intends to make Vat the centre-piece of the next budget in 1989.

"Even if I am no longer finance minister I am sure that whoever is will have no alternative but to introduce Vat. We have cut direct taxes, our sales tax is unsatisfactory and we must increase our revenues," said Mr Daim. A ministry task force has been examining various forms of Vat, which is the main indirect tax in 89 countries.

In particular they have looked at the systems in South Korea, Indonesia and New Zealand. Of these, New Zealand has the "purest" form of Vat because it has resisted pressure for exemptions.

But Mr Daim said that although this would maximise revenue, "there would be exemptions in Malaysia. There are political considerations. You have to win elections," he said.

Bigger Soweto planned

THE South African Government unveiled plans yesterday to enlarge Soweto, the country's largest black township, and immediately ran into criticism from extreme right-wingers, Reuter reports from Johannesburg.

It was announced in Pretoria that an area of 13,000 hectares had been set aside for an extension to Soweto, south-west of Johannesburg. The name is a contraction of South Western Township.

"Part of the project, which has yet to obtain final approval, will be to build 45,000 homes to ease an acute housing shortage among blacks, said Mr Roelf Meyer, the deputy minister of constitutional development and planning.

About 2m people already live in Soweto, which has been a centre of protest against the Government.

The plan was promptly attacked by the Conservative Party, which enjoys growing support among South African whites and won many local councils in the Johannesburg region in municipal elections in October.

Japan takes a long look at its burden of defence

Ian Rodger reports on pressures for Tokyo to expand its role and its budget in the military arena

BY a curious coincidence of historical events – the serious illness of Japan's Emperor Hirohito and the US presidential election – the long sensitive issue of Japan's defence posture may again be catapulted into the forefront of the debate on US-Japan relations.

The US Congress appears to be girding itself for one of its periodic assaults on Japan for not contributing enough to the costs of the defence of the West. The next Administration may listen to Congress on burden-sharing rather more than President Reagan's did.

In Japan, radical right wing elements are suggesting that the country should take advantage of the Emperor's passing to shrug off the burden of guilt from the Second World War and revise the postwar US-imposed constitution so that it can become an independent military power again.

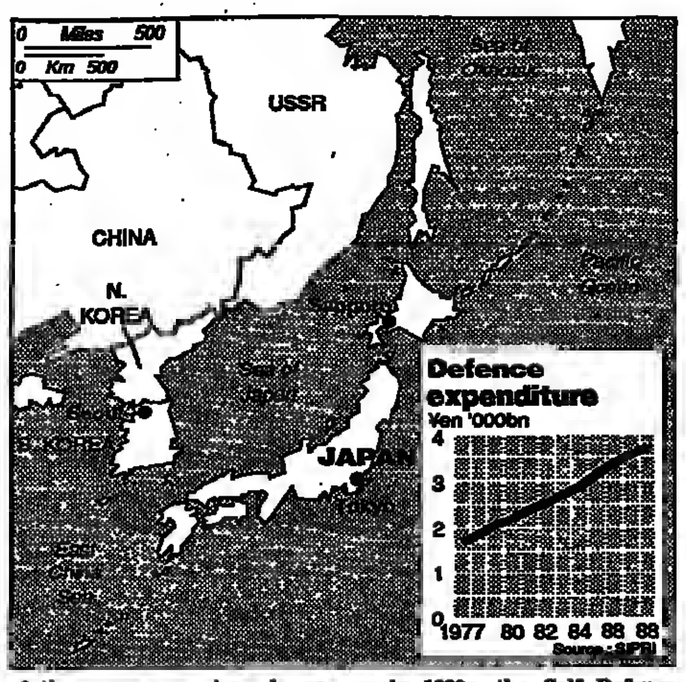
Although the influence of the extreme right wing on public opinion in Japan is minuscule, even moderate Japanese concede there are contradictions in Japan's postwar role. It is no longer easy to be both an economic giant and a political eunuch. It is unusual, to say the least, to have the world's third largest defence budget, but to be constitutionally constrained from asserting any power outside national borders. Officially, neither the US nor the Japanese Governments welcome a debate on Japan's defence posture at this moment. They worry that any hint of a weakening of their security alliance, which both now consider very satisfactory, could upset the complex and delicate strategic balance in the Far East. This would be particularly unwelcome at a time when the Soviet Union is evolving new policies in the region and when tensions in two longstanding trouble spots – Indochina and the Korean peninsula – are at last showing signs of being reduced. At the same time, many of Japan's Asian neighbours still view with unalloyed alarm any resurgence of Japanese military capability.

However, the US Congress, armed with the August report from the Defense Burdensharing Panel, may be more responsive to other considerations. That report, picking up an old refrain, was sharply critical of Japan for spending only 1 per cent of its gross national product on defence compared with 6.5 per cent by the US: "Why do the Japanese – whose drive and ingenuity led them from total devastation to economic superpower status in a mere 40 years – appear unwilling to assume free world burdens at a level more commensurate with their ability to pay than they currently assume?"

Last year, for example, the country was widely criticised for not helping maintain the safety of shipping in the Gulf despite the fact that it relies heavily on that area for its oil supplies.

Japanese analysts worry about similar situations developing in the future. "If a Japanese ship was attacked near Aden, we could ask the British fleet to come to our assistance and it would come. If a British ship was attacked off North Korea, we could not help," a government official pointed out recently. Similarly, what could Japan do in the event of the Straits of Malacca, a vital shipping lane for the country's oil, being blocked?

For the right wing extremists, the answers to these questions are simple. Mr Hideaki Kase, a well-known nationalist, recently called for the removal of the non-aggression clause from Japan's constitution and the establishment of a self-sufficient military force armed with nuclear weapons if necessary. (Japan's non-nuclear principles prevent its forces from being so equipped.)



But for the US, the existence of a stable and reliable ally in the Far East is an enormous benefit in itself, making it possible for the US-Japan security agreements to underpin the collective security of the whole region. Moreover, if Japan pays a much larger share of the cost, it should have a larger share of the decision-making, a change which, as US officials concede, could upset the regional strategic balance.

In any event, US officials are satisfied that Japan is now making a big effort to contribute to collective security within current limits. By the early 1980s, the Self Defence Force had accepted the role of protecting the Japanese territory in the event of a "limited and small scale" invasion from the Soviet Union, a role that has some collective implications insofar as it relieved the substantial US forces in Japan of the job of providing a portion of their own security.

Japan then agreed to take on two additional missions, to block the three straits passing through or by the Japanese archipelago from the Asian mainland to the Pacific and to protect the sea lanes for a distance of 1,000 nautical miles south from Japan.

The Government is in the middle of a five-year spending plan aimed at financing the equipment and facilities needed to carry out those three missions by 1991. And it is building up a formidable force by any standard. For example, its 60 vessel fleet of destroyers is bigger than that of the UK. "We are a tiny country already armed to the teeth," a foreign ministry official says. Its overall military budget of Y3,700bn ($29bn) this year is the third largest in the world after the US and the Soviet Union, although the figure is bloated by the relatively high salaries of its volunteer forces.

Inevitably, there is disagreement over exactly what equipment is needed and how much should be spent. For example, some advocate aircraft carriers to carry out the sea lane defence role. The Government and others fear adverse reaction at home and in neighbouring countries to the idea of aircraft carriers, which are by definition offensive weapons, preferring instead a combination of tanker and patrol aircraft operating from Japan's southernmost islands.

Whatever is done, it is considered politically and practically unlikely that defence budget could much exceed the current 1 per cent level. "I doubt that it could get to 1.5 per cent of GNP," says Mr Koichi Kato, a member of parliament and former Self Defence Agency director general. In any case, it is not the only formula determining defence commitment and effectiveness.

Without a radical policy departure it is not easy to see where and how Japan could increase its military capability. The country might extend its sea lane surveillance, but that would almost certainly cause an outcry in China and South East Asia.

It might also underwrite more heavily the cost of US forces in Japan. However, the Government has already made big advances in this area and is now paying about $2.2bn a year, or $45,000 per US serviceman stationed in Japan.

Japan is also stepping up its aid effort to developing countries, deliberately directing much of it to countries of strategic interest to the Western alliance, such as the Philippines, Pakistan, Turkey and Afghanistan. In a similar vein, the Government is inching towards a more active role in international peacekeeping operations, such as the supervision of the ceasefire in the Gulf and the withdrawal of Soviet troops from Afghanistan. However, even if the aid and defence budgets are put together, the total will not surpass even 2 per cent of GNP for a long time.

More immediately, Japanese economic success and US economic problems, exemplified by growing Japanese purchases of US assets, are already inducing political resentment in the US that could translate into further pressure on Japan. The problem is that the most obvious pressure points, defence burden sharing and freeing the Japanese rice market, are already so sensitive in Japan that a US offensive on either could end up alienating the broad consensus of Japanese society which has supported the special US-Japan relationship, including the security arrangements.

People as extreme as Mr Kase will probably not benefit from an adverse Japanese reaction. However, there is a much larger group of moderate nationalists, including, for example, Mr Yasuhiro Nakasone, the former prime minister, who would not turn away from an opportunity to revise the constitution and assert a more independent status for Japan in the world.

Hungary opens Seoul mission

SOUTH Korea yesterday established its first diplomatic relationship with the Eastern bloc when Mr Sandor Etre arrived in Seoul to set up a Hungarian permanent mission, **Maggie Ford writes from Seoul.**

Mr Etre, a former ambassador to North Korea and a senior East Asia official in the Hungarian Foreign Ministry, said that Budapest hopes to establish full ambassador-level relations soon.

The diplomat's arrival marks the first fruits of President Roh Tae Woo's *Nordpolitik*, announced earlier this year. Mr Roh is seeking to open relations with Eastern bloc countries with a view to easing tensions with communist North Korea and developing trade.

US military and Japan in scrap over the cleaning bill

By Stefan Wagstyl in Tokyo

THE American soldiery in Japan tries hard to win the respect of the people it is trying to defend. But this year the men in hob-nailed boots have been getting the better of the diplomats in the embassy.

In the latest skirmish between the US forces and their hosts, the US Navy has got embroiled in a row with the municipal council of Yokosuka, a seaside town near Tokyo, over the cost of collecting household rubbish. The navy, which has a large base at Yokosuka, is refusing to pay a $50,000 waste disposal bill.

The town council threatened to stop collecting the navy's rubbish from the base but backed down after pressure from the Japanese authorities. However, it insists the navy must pay up. The navy says it will not because the terms of payment were agreed by a previous commander at the base and the local council – and were never ratified by the US-Japan Joint Committee on the Status-of-Forces Agreement, the body governing relations between US Armed Forces and Japan.

The navy was not mollified by the fact that the Japanese Government has recently paid for the installation of an incinerator at Yokosuka, which means that in future the waste collection bill will fall to zero.

The US has not had a good year in trying to be a good neighbour. The captain of the USS Towers, a destroyer, lost his job last month after his ship fired shells in Tokyo Bay near a Japanese patrol boat. The shells were non-explosive rounds although the patrol boat's crew could hardly have been expected to know that at the time. They complained.

Before that the US Marines, stationed in Okinawa, had to inspect their 200 firing ranges after stray bullets knocked holes in the walls of buildings in the town of Kin.

The incidents show that most Japanese want US protection. They like to have US armed forces stationed in Japan – but preferably in some other part of the country.

MONTREAL TRADE TALKS

World on verge of trade choices, says Mulroney

By Peter Montagnon in Montreal

TRADE Ministers meeting in Montreal this week cannot afford to fail in their objective of giving clear political direction to the Uruguay Round of multilateral trade negotiations, said Mr Brian Mulroney, Canada's Prime Minister.

"We are at a crossroads. We can succumb to the destructive forces of protectionism or we can seek to build a more dynamic and more secure global economy," he told the opening session of the meeting here.

Mr Mulroney said the world was on the threshold of a decade of historic challenges and choices in world trade.

"With Europe of 1992, the Canada-US Free Trade Agreement, the Australia-New Zealand agreement and closer ties in the Asia-Pacific region, world trading patterns would either become more open or more restrictive.

Negotiators must leave Montreal determined to bring the negotiations to a successful and timely conclusion so that the round could be completed on schedule in 1990, he said.

Mulroney: 'We can succumb to the destructive forces of protectionism, or we can seek to build a more dynamic and secure global economy'

Mr Mulroney described the new US-Canada free trade agreement as a "significant and beneficial contribution" to the trading system, noting that it broke new ground in areas such as dispute settlement, investment, and services which could serve as a model for the General Agreement on Tariffs and Trade.

Canada's commitment to the Gatt was as strong today as 40 years ago when the organisation was founded.

He acknowledged that the free trade agreement could bring some economic dislocation and employment change, and said the Canadian government would work with the provinces, the private sector and labour, to ensure the existence of retraining and adjustment programmes for Canadian workers.

Search on for Yeutter successor

By Peter Montagnon

PARTICIPANTS at this week's trade ministers meeting are carefully playing down the significance of the failure so far by the incoming Bush Administration to nominate a successor to Mr Clayton Yeutter as US Trade Representative.

In a warm personal compliment despite their many policy differences, Mr Willy de Clercq, EC Trade Commissioner, described Mr Yeutter in Montreal as "an outstanding man who has the confidence of all the negotiators".

The absence of a designated successor had not diminished the standing of the US delegation to the talks and should not be treated as a signal that the Bush Administration attached a low priority to the General Agreement on Tariffs and Trade, he said.

Nonetheless, there remains considerable interest in how the succession will be handled.

Mr Yeutter, a former head of the Chicago Mercantile Exchange who has been a dominant figure in international trade policy for more than three years, has expressed a desire to return to private business once the new administration takes office.

Among names mentioned as possible candidates for his replacement are Mr Edmund Pratt, chairman of Pfizer Corporation and a businessman of wide international experience, and Mr Bill Frenzel, the Republican Congressman from Minnesota widely recognised as a keen free-trader.

Some participants at Montreal believe Mr Bush may have deliberately chosen not to nominate a successor to Mr Yeutter ahead of the Montreal meeting in order to strengthen the authority of the outgoing Trade Representative as head of the US delegation.

Mr Yeutter is deliberately maintaining an unusually low public profile but Mr Alan Homer, Deputy US Trade Representative, has stressed Mr Bush's personal interest in the talks.

"President-elect Bush has been on board every step of the way," he said.

He added this was underlined last week by a specially convened meeting involving President Reagan, Mr Bush, Mr Yeutter and Mr Richard Lyng, Agriculture Secretary, at which the prospects for the talks were reviewed.

European officials say they would have been much more concerned if Mr Michael Dukakis had won the election and failed to nominate a new US Trade Representative before this meeting, but they accept that there is a considerable degree of continuity on trade policy between the Bush and Reagan Administrations.

European business cool on Gatt

Interest in Montreal talks is questioned, reports Peter Montagnon

THE great and the good in the US business community have descended on Montreal this week to watch from the sidelines as trade ministers grapple with the task of shoring up the multilateral trading system.

The presence of names such as Mr John Reed, chairman of Citicorp, Mr James Robinson of American Express and Mr Paul Orrefice of Dow Chemical is not an entirely new departure for such meetings. But it confirms a high degree of interest in the outcome of the Uruguay Round of multilateral trade liberalisation talks which is slowly beginning to be replicated elsewhere.

In a more unusual departure, top Japanese businessmen such as Mr Akio Morita from Sony and his counterparts from companies such as C Itoh and Daiwa Securities are also in town.

Mr Arthur Dunkel, Gatt director-general, says it is all evidence of growing interest in the General Agreement on Tariffs and Trade (Gatt) by private-sector businessmen, which is also to be found in the corporate boardrooms of the developing world. But among many businessmen here a question mark still hangs over the commitment of European business to Gatt.

While US business, through its close advisory role to the Reagan Administration, has done much to help formulate the US negotiating position, many consider that top European corporate executives, conspicuous by their absence in Montreal, are much more enthusiastic about the advent of the single market in 1992.

"It is frustrating that we have not been able to galvanise the European business community in the effort," said one US executive.

In the early stages of the Uruguay Round, the Business Roundtable, which groups top executives in the US, formed an alliance with its European counterpart to promote the Round, but this effort dissipated after Mr Pehr Gyllenhammar, the charismatic chairman of Volvo, was succeeded as chairman of the European Roundtable by Mr Wisse Dekker, chairman of Philips, a company hardly noted for its devotion to the principles of free trade.

In a recent seminar organised by the Touche Rosse, accountancy firm, Mr S van Houten, a Philips managing board member, said there was a degree of disillusion in Europe with Gatt, which he said was "too idealistic". Some bilateralism and reciprocity was needed to deal with the practicalities of modern day trade problems, he said.

European officials, however, deny that their business constituency is uninterested in what happens in Gatt.

Not only has the services sector, under the leadership of the UK group chaired by Sir Michael Palliser, deputy chairman of Midland Bank, shown an active interest in the Round. Mr Willy de Clercq, EC Trade Commissioner, also recently took a group of senior executives to visit Gatt in Geneva.

The problem is that the EC, with its diverse membership of 12 countries, is not used to forming the business coalitions that have long been the tradition in the US, EC officials say.

But the result has been that European private sector interest in the Uruguay Round appears patchy at best. British Petroleum, which last week submitted a position paper on the Round to the UK Government, is an exception at the level of individual corporations.

Elsewhere, the private sector has concentrated its efforts on the more anonymous route of working through federations and associations such as the Confederation of British Industry and International Chamber of Commerce. The support these organisations receive is often at relatively junior level.

According to Mr Kurt Steves, a director of the German Industry Federation (BDI), which has produced several position papers on the Uruguay Round, "people at management level don't normally participate. They leave it to their representatives in federations and to civil servants."

That in turn is a demonstration of confidence in their governments' ability to understand the issues, he says.

For the BDI, which represents many small and medium-sized firms heavily dependent on exports, such a difference in style compared with the high-profile approach of top US executives is natural and does not signal a lack of interest in the Round.

Other European business executives acknowledge, however, that European private sector interest in the Uruguay Round has been more reactive than active.

This is in marked contrast to the activity of US businessmen, who have been busy lobbying delegations of other countries such as Brazil, a reluctant player on the issues of liberalisation of trade in services and protection of intellectual property rights.

If anything, the low profile adopted by European business has accentuated the impression that Europe's main preoccupation in the Uruguay Round is to defend its freedom of manoeuvre in farm policy.

In Japan, the Keidanren employers' federation has come out in support of opening the domestic market to rice imports, partly because it sees this as in the broader trading interest of the Japanese economy.

Mr Steves of the BDI says his organisation in turn has been strong in demanding reform of the Common Agricultural Policy. "We must stop these massive subsidies not only in the EC, but also in the US."

It is a voice, however, which finds few echoes in European manufacturing industry. For all their much vaunted dependence on trade, the captains of European industry are perfectly happy to go on the record in support of 1992, but most are still strangely silent when it comes to the broader question of Gatt itself.

Leahy warns on new farm subsidy legislation

By Peter Montagnon

THE US CONGRESS will write new farm legislation next year providing for increased subsidies if trade ministers meeting in Montreal this week fail to reach agreement on a commitment to long-term agricultural reform, a top US legislator warned.

Mr Patrick Leahy, Chairman of the Senate Agriculture Committee, said an agreement in Montreal on agriculture which was weak or lop-sided against the US would in all likelihood lead to Congress voting increased export subsidies in particular.

"I would like to see us not have to do that, but remember the pressures facing us in the US," he said in an interview.

The US had an enormous trade deficit but the two bright spots were the earnings it derived from its farm sector and from the competitive advantage gained from its intellectual property rights.

"We're being asked in the General Agreement on Tariffs and Trade to give up any advantage we have both in agriculture and intellectual property and get nothing in return."

Mr Leahy's remarks underlined both the strength of feeling in the US and the wide political gulf between the US and Europe on farm reform.

He dismissed Europe's claim that it had already acted to reduce farm supports as illusory and said that the US was in fact cutting farm spending by half to $13bn (£7.2bn) this year.

Europe was determined to support inefficient small farmers. He said he was not concerned about the future of European farmers with five and seven acre farms. "My front lawn is bigger than that, literally."

Surveys undertaken by his committee suggested that over 60 per cent of US farmers supported the idea, proposed by the Reagan Administration, of a complete elimination of all trade and production distorting subsidies by the US provided other countries did the same.

Efforts to revive world agriculture by short-term measures such as those advocated by Europe would not be effective without a long-term goal.

"We'd have to have a pretty clear direction to see what it's going to be like in the end," Mr Leahy said.

He had drafted measures already contained in the new US trade bill which provide for increased assistance to farmers if no satisfactory agreements were reached in the Gatt.

They were "about as subtle as a sledgehammer," he added.

However, further increases would be written into the five-year farm bill due for enactment in 1990 if no progress was made.

If trade ministers in Montreal "worked out a substantive, positive long-range reform that gives us a truly level playing field, then we can write the legislation to carry that out."

WORLD TRADE NEWS

EC to probe chemicals 'dumping'

By William Dawkins in Brussels

THREE EC chemicals companies have persuaded the European Commission to launch an inquiry into alleged Chinese and East German dumping of barium chloride, a compound used for purifying exotic metals.

The Brussels authorities are to examine exports from an East German and two Chinese producers to the highly specialised $8.25m (£4.5m) market for the chemical, which also has a wide range of medical and research uses.

This is the latest in a line of Community anti-dumping cases against basic chemicals produced by Communist countries.

Both countries cited by yesterday's case paid EC duties for five years until their expiry last August. China has already been paying dumping duties on its exports of barium chloride to the US since 1984.

EC producers claim China and East Germany are continuing to use state subsidies to fix export prices artificially low.

The companies bringing the complaint are CdF Chimie AZF of France, Sabed of Italy and Industrias Quimicas Virval of Spain.

Mazda in Citroen sales deal

By Michiyo Nakamoto in Tokyo

MAZDA, the Japanese auto maker, plans to set up arrangements with Citroen, the leading French motor group, to import and market Citroen passenger cars in Japan beginning in October next year.

A joint venture company will be established by Mazda, Citroen and Seibu Motor Sales to import Citroen cars, according to a Japanese newspaper report. Mazda will then set up a wholly-owned subsidiary to manage sales through an initial countrywide distribution network of 200 dealers.

Mazda officials said only that they were taking steps to strengthen their domestic sales, including the distribution of imported cars. At present, the only Japanese outlet for Citroen's cars is a sole import agency, Seibu Motor Sales, which belongs to the Seibu Saison department store group. Last year Citroen sold 1,757 cars in Japan through Seibu Motor Sales' 60 dealers.

For Mazda, the new joint venture with Citroen would offer a chance to strengthen its domestic sales which have been hard hit over the past two years, as the company failed to make major model changes while competitors were introducing new models.

The company's share of the domestic market dropped from 6.16 per cent in 1986 to 5.86 per cent last year while its share of the passenger car market declined from 6.06 per cent last year to 5.93 in the first half of this.

Exports of Japanese cars have been slumping under the effects of the higher yen which has made it necessary for Japanese auto makers to shift production abroad while placing greater emphasis on the domestic market.

Mazda, which depends on exports for 63 per cent of sales, faces a particularly urgent task of building up the domestic side of its business. The company, which is 23.5 per cent owned by Ford Motor of the US, already manufactures and sells Ford cars in Japan.

Maruti plans new car for 1991

By K.K. Sharma in New Delhi

MARUTI UDYOG, the Indian government-owned automobile company in which Suzuki Motors has a 40 per cent stake, will introduce a new 1,000 cc model to the domestic market in the middle of 1991. It is delaying the project by nearly a year to take advantage of a new design for an existing model planned by its Japanese partner.

The new model will be the same as that being designed by Suzuki for the Japanese market based on modifications to the Cultus. Suzuki plans to make basic changes to this design, Maruti officials say.

The Cultus was to have been made by Maruti Udyog next year. The company will still offer its Indian customers the new model, but will wait a year so that dies and tooling for the latest design are available.

Maruti Udyog's plans to start with local sourcing of the equipment for the new model remain unchanged. Its engine will still be the same indigenously-made one that powers the Gypsy, the jeep-style vehicle marketed by the company in India.

Many components being made for existing models will be incorporated into the Cultus to satisfy the Indian government's requirements of maximum indigenisation.

World car market passes its peak

Kevin Done reports on a sales boom which is not expected to last

WORLD car sales are expected to fall next year from present record levels with a decline in all three major regional markets of West Europe, North America and Japan, according to the latest world automotive forecast from DRI, the automotive consultants.

The industry is enjoying record sales helped by peak demand in West Europe, Japan and the Pacific region and a marked recovery in the US car market.

World car demand is expected to grow by 5 per cent this year to an all-time high of 34.3m units, led by record demand in West Europe which took over from North America as the world's biggest car market in 1987.

West European car sales appear to be at the peak of an unprecedented boom, with record sales reached in each of the last four years. With the exception of West Germany, all the major European volume markets, the UK, France, Italy and Spain have reached an all-time high in 1988 with Italy set to exceed 2m units and Spain set to exceed 1m units for the first time.

According to DRI the market has peaked, however, and sales in all the major European markets are expected to decline next year as the result of a widespread slowdown in economic growth and under the impact of high interest rates dampening consumption.

Sales are forecast to decline by 5.8 per cent to 12.037m units following an increase of 3.2 per cent in 1988 to a record 12.779m units.

Despite the forecast decline, the absolute level of the European market would still be higher than at any time prior to the past two years of record demand.

The US car market has exceeded all expectations in 1988 and is expected to show a rise of 4 per cent to 10.699m units according to the DRI forecast, with Ford the biggest winner with a jump in its US market share in the first 10 months of 1988 to 21.7 per cent from 20.1 per cent a year ago. General Motor's share had declined further to 36.2 per cent at the end of October from 37.1 per cent a year earlier, despite a marginal gain in sales volume.

The DRI report says that US car sales next year will fall by around 4.5 per cent to 10.19m units under the impact of rising interest rates, an upward trend in consumer prices and limited growth in consumer spending.

In the Japanese domestic market sales have jumped sharply this year and are expected to increase by more than 10 per cent to a reach a record 3.61m units supported by strong economic growth and accelerating consumer spending.

Here, too, sales are expected to fall marginally next year, before rising to a new peak in 1990.

Car demand is booming in Taiwan and South Korea and is expected to stay on a strong upward trend into the mid-1990s, while sales in Brazil are recovering, though still far below the record levels of the early 1980s.

DRI says that worldwide car production will rise by 3.7 per cent to a record 34.3m units this year, led by a gain of some 400,000 units in West Europe to a peak 12.9m units.

Bnt it warns that 1989 is expected to bring a sharp decline of 5.2 per cent to 12.2m units, despite a series of important new models.

Car outpnt in both North America and Japan is also expected to decline next year with a fall of 2.6 per cent in North America and 6.6 per cent in Japan. According to the DRI forecast Japanese domestic car output will peak historically at 8.040m units this year, but fall back to around 7.5m units during the early 1990s as export growth is halted by growing offshore Japanese production.

Japanese transplant operations in the US started as relatively unprofitable ventures to fend off protectionist measures by the US, says the DRI report, bnt they have become "an economic imperative as a result of the soaring yen. The US now offers a lower cost production base than Japan."

The capacity of Japanese operations in the US which stood at 648,000 units (including the GM-Toyota NUMMI joint venture) in 1987 is set to rise to 2.12m units in 1990 and 2.68m units in 1992. The most aggressive expansion is being made by Honda, which should have a US capacity of 700,000 units a year by 1992.

This year Japanese producers began exports from the US to restricted markets like Taiwan and South Korea, as well as to Japan itself, and Europe is expected to become the next target.

At the same time the DRI report forecasts that direct car imports to the US from Japan will decline to around 1.8m units in 1991, equivalent to only 79 per cent of the current 2.3m units "voluntary export restraint" agreed by Japan with the US.

Car output in South Korea could rise by 12 per cent this year to 886,000 units, an almost sixfold increase in the last five years. The DRI forecast suggests that output will exceed 1m units for the first time next year and South Korea is expected to overtake the UK as a car producer in 1990.

DRI World Automotive Forecast Report, November 1988. Price £1,750, published by DRI, 30 Old Queen Street, London, SW1H 9HP.

WORLD CAR SALES FORECAST (000's)*

	1986	1987	1988	1989	1990	1993
West Germany	2,829	2,916	2,730	2,632	2,699	2,660
France	1,912	2,105	2,217	1,976	2,035	2,146
UK	1,882	2,014	2,195	1,963	1,947	1,939
Italy	1,825	1,977	2,131	1,957	1,899	2,002
Spain	686	825	1,039	983	997	1,069
West Europe total	11,635	12,380	12,779	12,037	12,207	12,622
US	11,452	10,227	10,699	10,190	9,862	10,623
Japan	3,146	3,275	3,609	3,359	3,674	3,497
WORLD TOTAL	33,049	32,657	34,277	33,069	33,491	35,528

WORLD CAR PRODUCTION FORECAST (000's)

	1986	1987	1988	1989	1990	1993
West Germany	4,311	4,373	4,339	4,122	4,173	4,316
France	2,773	3,052	3,178	2,955	3,049	3,153
UK	1,016	1,143	1,196	1,185	1,250	1,362
Italy	1,652	1,713	1,908	1,811	1,816	1,813
Spain	1,282	1,403	1,469	1,379	1,375	1,422
West Europe total	11,818	12,518	12,917	12,245	12,444	12,989
US	7,730	7,146	7,163	6,853	7,158	7,541
Japan	7,810	7,891	8,040	7,508	7,752	7,885
WORLD TOTAL†	32,727	33,088	34,312	33,440	34,400	36,174

* 1986/87 actual, 1988/93 forecast †Excludes double counting

Source: DRI Europe

Italians win Saudi contract

By Finn Barre in Riyadh

SAUDI BASIC Industries Corporation (Sabic), Saudi Arabia's partly state-owned petrochemicals gronp, has awarded a construction contract for the expansion of the National Fertiliser Company's Ibn Baytar plant in Jubail to Technipetrol of Italy.

Technipetrol had already been awarded a contract for consultancy on the project. Under the construction contract, it will build a 500,000 tonne-a-year (tpy) granular urea unit, and two units that will produce a combined total of 810,000 tpy of compound phosphatic fertiliser.

The plant will cost an estimated $187m (£103m). The contract has been awarded on a cost-plus basis. It states that work must begin before year-end. The plant expansion should be completed by the end of 1991.

Ibn Baytar at present produces 500,000 tpy of ammonia, which is used as a feedstock for urea fertiliser. The compound fertiliser can eventually use Saudi-mined phosphates, but will probably use other Arab-prodnced phosphates in the meantime.

Ibn Baytar is a joint venture owned by Sabic and Sabic's oldest company, Saudi Fertiliser Co (Safco) of Dammam.

● Iran'e National Petrochemical Co (NPC) is sending a mission to Japan on Thursday to discuss the stalled Y600bn (£2.7bn) Iran-Japan Petrochemical Co project with Mitsui, government and oil industry officials said.

هكذا من الأصل

AMERICAN NEWS

'Socialism' fears send Brazilian stocks tumbling

By Ivo Dawnay in Rio de Janeiro

AN alarmist warning by President José Sarney that Brazil is on the route to "revolutionary socialism", combined with proposals by the Workers' Party (PT) to nationalise private banks, sent stock prices tumbling yesterday.

On the key São Paulo market, the Bovespa index closed 5.1 per cent lower at 19,630 as smaller individual shareholders liquidated their holdings. Though trading volumes at Cz9bn (£8.6m) were low, brokers noted that institutional buyers had clearly decided not to intervene to hold up prices.

Mr Roberto Santos Silva, of Rio de Janeiro's Tamoio brokerage, said the sharp fall in the market, which hit 24,000 in mid-November, confirmed that political anxieties were now influencing trading.

"The institutional stockholders have decided to take away the mattress beneath the market," he said. "They think it is probably too high, and there is too little clarity as to the outlook for the future."

Two big factors behind the fall were a presentation of the PT's policy objectives made at the weekend by the party leader, Mr Luiz Ignacio Lula da Silva, and an emotional newspaper interview by Mr Sarney.

The PT unexpectedly triumphed at last month's municipal elections, winning several key industrial cities including São Paulo. Many believe that Lula – as the PT leader is universally known – is now in serious contention for the presidency at elections in a year.

He said his government would call an immediate moratorium on Brazil's $115bn foreign debt before re-opening negotiations with creditors.

He also envisaged the nationalisation of the banking, transport, education and health sectors. "Everything that is essential in the people's lives must be under the control of the state," he argued.

Such proposals appeared to be among the reasons for an uncharacteristically bleak view of Brazil's future in an interview with Mr Sarney in the Estado de São Paulo newspaper.

Clearly still shaken by the murder of a nephew in Rio de Janeiro last week, Mr Sarney said the PT had used the "electoral game" as an instrument to gain power and there were insufficient political forces to halt its success.

"The country is on the track towards totalitarianism. We are heading for a socialist revolution," he warned. While many believe that the PT's chances in the presidential elections next November have risen sharply, the view that the party has undemocratic objectives is unlikely to be widely shared by political analysts.

Scandal claim at Petrobras

AN investigation has been ordered into allegations of a financial scandal involving the distribution arm of Petrobras, Brazil's state-owned oil monopoly, Ivo Dawnay writes.

Unnamed officials at Petrobras Distribuidora, which handles $5.1bn (£2.8bn) a year in revenues from the company's nationwide network of petrol stations, are accused of having insisted on "tips" from banks interested in looking after its accounts.

The allegations, said to have been made by rival banks, are now the subject of an internal inquiry. They come as a serious blow to the reputation of a company long known abroad as the best administered of Brazil's state-sector companies.

It is also a personal embarrassment for President José Sarney, who appointed his friend, Gen Alberico Barroso, to preside over the subsidiary this year. The president is said to have favoured the general as president of the holding company after the resignation of Col Ozires Silva in June, but the choice was fiercely opposed by the company.

Gen Barroso has denied any personal involvement in the alleged malpractices.

Perez faces old problems again

Joseph Mann on the return of Venezuela's veteran politician

MR CARLOS Andres Perez Rodriguez, a lifelong politician, won a second term as President of Venezuela by an ample margin in Sunday's national election, confirming the dominant role of the ruling Democratic Action (AD) party.

According to early projections, Mr Perez obtained around 52 per cent of the vote, compared with 33 per cent for his closest rival, Mr Eduardo Fernandez, 48, a lawyer turned politician who stood as candidate for the Christian Democrat Copei party.

Mr Teodoro Petkoff, a charismatic former guerrilla leader, took third place in the presidential race as candidate for the Movement Toward Socialism (MAS). There were 23 candidates for the presidency this year, the largest number ever.

Of the seven presidents elected in Venezuela since the last dictator was removed three decades ago, five have been members of AD and two of Copei. In elections for national and state legislators AD, the left-of-centre party that currently holds the presidency and a legislative majority, also won a majority of seats. The new president will begin a five-year term in early February, taking over from the outgoing President, Dr Jaime Lusinchi.

Official vote counting is a slow process in Venezuela, and final results may not be available for a few days. But early official results and other projections gave Mr Perez and his party a strong lead. Mr Fernandez conceded defeat on Sunday night and will now face a struggle to keep control of Copei, Venezuela's second largest political party after AD.

Elections in this nstion of 18.7m people were held peacefully, but the capital city of Caracas erupted into fireworks and spontaneous street celebrations as the results became clear.

Mr Perez, popularly known as CAP, will be the oldest Venezuelan president to take office. But at 66 be is a highly energetic man whose 18- to 20-hour workdays test the stamina of his aides.

Born in a rural section of the border state of Tachira, Mr Perez began working in politics as a teenager and has spent his entire professional life in the Democratic Action party. He was first elected to Congress in 1958 and later served as Minister of the Interior in the early 1960s, when he headed a successful government effort to crush leftist guerrillas.

Loquacious and charismatic, Mr Perez was president during the heady years of the 1970s, when Venezuela had seemingly unlimited financial resources. He launched a series of big industrial and social development programmes which met with mixed success. His Government successfully nationalised the petroleum iron-ore industries, and Mr Perez played the role of a spokesman for the Third World.

His return to the country's most powerful post was not an easy task. He left office in early 1979 with a low popularity rating, his Government accused of widespread scandals and inefficiency. Although the first Perez regime enjoyed unprecedented income from petroleum, it was beset by problems caused by rapid population growth and official mismanagement. He even received a public vote of censure from the Venezuelan Congress for allegedly permitting corrupt acts during his Government.

As an ex-president, Mr Perez continued to remain active in international affairs, bot had to fight hard to regain control of his own party at home. Last year, he emerged victorious from a bitter internal campaign for his party's presidential nomination.

The man who was the country's free-spending chief executive from 1974-79 will now have to face a nation with basically the same social problems, much lower oil revenues, an economy still highly dependent on petroleum, a government beset with high service payments on its foreign debt and rising inflation, and a larger population seeking political reforms and an improved standard of living.

His economic programme for 1989-93 has been publicised only in general terms. Mr Perez has said he will call for renegotiation of the Government's $25bn (£13.5bn) foreign debt and will keep annual debt service payments below $2bn, compared with $4-5bn today. He has also said he will halt the successful overseas investment programme carried out by the national oil company, PDVSA, and will open the industry to new investment on the home front.

Mr Perez's economic plan also calls for restructuring the nstion's productive apparatus, still dependent on imports. He also said his Government would make new financing available for development projects in Venezuela, "democratise" capital and provide an "equitable distribution" of the fruits of economic growth.

While continuing to take an active interest in international affairs, CAP must face serions economic challenges at home. He has said he will seek a hroad agreement among Venezuelan business and labour leaders to confront the economic problems. In addition, the man who raised government interference in the economy to high levels in the 1970s has said he will redefine the role of the state in domestic economic activities.

Ortega cancels UN visit in protest to US

PRESIDENT Daniel Ortega of Nicaragua said yesterday that he would not travel to the United Nations this week because the US had failed to issne enough visas for his party and had imposed unacceptable restrictions on his stay in New York, AP reports from Mexico City.

"I cannot accept these rules because the United States cannot decide when, how and with whom a chief of state can visit an international organisation like the United Nations," President Ortega said in Mexico City.

He said that the US should not require 15 days' notice to approve the trip of a chief of state and his party to the United Nations.

The Administration of President Ronald Reagan had refused to issue visas for half President Ortega's party and had also refused to issue visas for Nicaraguan journalists who wished to accompany him.

He also said that the US had imposed a geographical restriction on his stay that would limit him to the area of four boroughs of New York City. This would prevent him from visiting the home of the Nicaraguan ambassador to the United Nations, who lives outside that area.

"The United States has violated international norms and its promises to the United Nations and has broken the principles of the United Nations," Mr Ortega said.

He added that during his visit to the United Nations he had wished to make a presentation on the disaster that Hurricane Joan had caused his country and to plead for international help.

He had also wanted to confer with Mr Javier Perez de Cuellar, UN Secretary-General, about a new proposal for the United Nations to participate in verifiying a Central American peace accord.

"I thought it was important to talk to the secretary-general because the secretary-general is an indispensible element in the new proposal," Mr Ortega said.

On Friday, US officials had said visas were approved for President Ortega, his wife, Rosario, and his son Rafael, on December 5. They were to be accompanied by President Ortega's physician and 14 security guards.

Ms Phyllis Oakley, State Department spokeswoman, said that their applications were expedited even though they were not received within the 15 working days the US Embassy in Managua required for processing.

Visa applications from 14 other Nicaraguans who wished to accompany the Nicaraguan President as part of his official party were in effect turned down because they were submitted too late to allow adequate time for processing.

Privately, US officials had said last week that President Ortega planned to meet Mr Mikhail Gorbachev, the Soviet leader, who will address the UN General Assembly this week and will meet Mr Reagan and Mr George Bush, the President-elect.

Peruvian judiciary employees call end to 25-day strike

By Veronica Baruffati in Lima

MORE THAN 12,000 workers in the Peruvian judiciary have ended a 25-day strike which had paralysed the whole judicial system.

Although details of the negotiations have not been disclosed, strikers had been demanding the indexation of wages to inflation, the awarding of a bonus according to technical qualifications and the spreading of benefits.

"The situation of the judiciary is really chaotic, with threats of embargo and complete bankruptcy from the viewpoint of the economic management of the institution," lamented the president-elect of the Supreme Court, Dr Oscar Alfaro Alvarez.

Dr Alfaro has asked Parliament to approve 2 per cent of the state budget for the judiciary, as is laid down in the constitution.

"If the judiciary has no economic independence, then it is impossible to talk about autonomy."

The Supreme Court is this week expected to give an injunction in favour of the demands being presented by Peruvian miners, now into their 50th day of strikes.

The miners have already received a favourable verdict from a judge of a Court of the First Instance in Lima.

If the Supreme Court rules in their favour, the mining companies will have to negotiate with miners and government officials on the miners' industry-wide demands.

The mining companies have insisted that the Federation of Miners, Metallurgical and Steel Workers has been infiltrated by Sendero Luminoso rebels and does not represent the real interests of miners throughout the country.

Traditionally, mining companies have dealt with local unions at individual mine level, and therefore reject the right to industry-wide claims demanded by the federation.

The Government, however, agreed to the discussion of the miners' federation's hroad-based claims at the end of the last miners' strike in August.

Miners' strikes this year have already cost Peru more than $400m in lost exports.

US economic growth slows, says survey

THE US economy continued to grow in November, but at a slightly slower pace than the previous month, the National Association of Purchasing Management said, AP reports from New York.

The NAPM, which tracks the strength of the economy with a monthly survey of purchasing execntives, said on Sunday that its Purchasing Managers Index dipped to 56.6 per cent from October's 56.8 per cent.

The purchasing managers who took part in the survey said production continned to increase last month, but at a slower rate than in October.

Some 27 per cent of the respondents reported production was up, compared with 26 per cent in October. While 58 per cent, compared with October's 65 per cent, said that production was the same, but 15 per cent said production was slower, compared with 9 per cent the previous month.

Employment was sharply higher in November 18 per cent of the respondents reported higher employment, while 69 per cent said it was the same and 13 per cent said it was down. That compared with 16 per cent reporting higher employment during October, 72 per cent reporting it was the same and 12 per cent reporting it fell. The purchasing managers also reported new orders grew in November.

● The US economy will slow considerably next year and probably tumble into a recession before the end of 1990, according to a survey of the National Association of Business Economists (NABE) released yesterday, Renter reports from Washington.

UK NEWS

Training Bill to see abolition of Wages Councils

By Charles Leadbeater, Labour Editor

THE Government yesterday signalled its intention to abolish the 26 Wages Councils, which set minimum pay levels for 2.5m workers, and the pre-entry closed shop, in which workers must have a union card before they can get a job.

The plans are laid out in a broad policy document on employment, Employment For The 1990s. It is directed at improving Britain's training system.

The paper outlines plans to set up a local, employer-led system based on a network of about 100 local Training and Enterprise Councils. These will work with the Department of Employment's Training Agency and a new National Training Task Force composed largely of leading employers.

The document will also allow for the abolition of the statutory powers of the seven remaining Industrial Training Boards to raise money from industry through a levy on employers.

The Construction Industry Training Board, which has the widespread support of employers in its industry, may be given special treatment.

The Government also plans to privatise the Skills Training Agency which operates about 60 training centres for the Department of Employment.

The most controversial plans are likely to be those to reconsider the future of the Wages Councils and the pre-entry closed shop.

The paper argues that the councils have not been giving enough weight to the impact of their awards on job prospects. It also doubts whether a statutory system of pay determination is relevant to the 1990s, when employers should be developing more flexible and individual systems for determining pay.

The review of the entire Wages Council system goes beyond recent calls from the Confederation of British Industry, the employers' body, for the abolition of councils in sectors such as Hotel and Catering.

On the closed shop, the paper says that all forms of the closed shop are unacceptable limits on the freedom of individual workers.

Recent research had shown that companies which operate with a pre-entry closed shop, in which a worker has to have a union card before being able to get a job rather than merely joining a union after taking up the position, are more likely to shed jobs than companies which are not unionised or operate without a closed shop.

The core of the white paper is the plan to set up employer-led Training and Enterprise Councils over the next four years. Mr Norman Fowler, the Employment Minister, said he hoped there would be between 12 and 20 such councils established by the end of 1989.

Mrs Thatcher's criticism of Ryan case angers Irish Government

Dublin stands by its record on extradition

By Kieran Cooke in Dublin.

FROM the political rowsurrounding the case of Mr Patrick Ryan, the Irish former missionary wanted in Britain in connection with IRA murders and bombings, one clear message emerges: extradition is a tricky business.

The Irish are angry about what they consider to be the unjnstified and ill-informed public criticisms by Mrs Margaret Thatcher, the UK Prime Minister, of the handling of the Ryan affair. Mr Charles Haughey, the Irish Prime Minister, will today tell the Dail, the Irish Parliament, about his none too cordial meeting with Mrs Thatcher at last weekend's summit of European Community leaders in Rhodes.

In a special Dail debate Mr Haughey will also seek to make permanent the existing extradition procednres between the Ireland and Britain – procedures which have indnced near apoplexy within British Government ranks.

The Irish Government has argued that it has done all it can to make extradition work, often against considerable public criticism. A total of 895 people have been extradited from Ireland since special arrangements for extradition between the Irish Republic, Britain and Northern Ireland came into force in 1965.

Some escaped extradition by claiming in court that their offences were political. Bnt since the early 1980s the Irish Courts have tended to not recognise such political pleas.

Late last year the Dail passed an Extradition Amendment Act. In many ways this confirmed by statute what had already been decided by the courts: that extradition could in future not be fought on political grounds.

The Irish Republic was thus able to sanction the European Convention of the Suppression of Terrorism. "We must face the reality that persons who seek to achieve their political objectives by terror, by bombing and by kidnapping can now move freely and quickly with their means of destruction from one jurisdiction to another," Mr Haughey said last year. "They can only be prevented from inflicting horror and suffering and tragedy by international effort."

But the Irish also attached some special conditions to the Act. To the Irish these are normal safeguards aimed at preserving the rights of an individual. To the British they are impediments in the fight against terrorism.

The Irish Attorney-General, before allowing an extradition request to go to court, must be sure that Britain intends to prosecute and not just question the wanted person. To decide this, the Attorney-General must have before him detailed evidence on the case. The Irish say these are normal safeguards, variations of which operate in every country which has extradition arrangments with others.

Mrs Thatcher, however, says that present extradition procedures are not working. The Irish say that the new procedures have been in force for only a year and one person has already been extradited, although this was not for a terrorist-related offence.

The Irish Attorney-General has also endorsed six terrorist-related warrants under the new procedures which are now at various stages of appeal in the Irish courts.

He is likely to pronounce judgment on the Ryan affair later this week.

Haughey: international effort needed against terrorism

Government defers changes in anti-terrorist laws

THE GOVERNMENT yesterday postponed a decision on changes in anti-terrorism legislation to meet last week's ruling by the European Court of Human Rights that existing police powers of detention breach the European human rights convention, Charles Hodgson writes.

Mr Douglas Hurd, the Home Secretary, had been expected to tell the House of Commons during today's second reading of the Prevention of Terrorism Bill how the Government intended to respond to the Strasbourg-based court's ruling.

The court found that Britain's failure to bring suspects before a judge "promptly" breached the European convention.

However, a meeting of senior ministers, chaired by Mrs Margaret Thatcher, the Prime Minister, yesterday failed to reach a decision on changes to the Bill, which renews the existing legislation and makes permanent the core powers of detention without trial and exclusion of suspected terrorists.

At present, British police can hold a suspect without charge for 48 hours before applying to the Home Secretary, or in Ulster the Northern Ireland Secretary, for an extension up to a total maximum of seven days.

The Government is considering three main options: simply to reduce the seven-day period to the European average of four days; to retain the seven-day period but allow for a judicial review after four days; or to derogate from the ruling on the grounds of the threat posed by terrorism.

Ministers appear determined to keep the seven-day detention period, which the police insist is necessary to enable them to carry out a complete investigation of a suspect. The Government is also unwilling to run the risk of attracting adverse publicity by taking the rare step of derogating from the ruling.

This leaves the compromise option, allowing for judicial review of a suspect's detention within the seven-day period. Officials concede that finding a workable means of introducing such a review would be problematic.

Ministers would have to decide whether to hold the review in open court, forcing the police to reveal in public the evidence they have collected, or in closed court, which might not satisfy the European Court's requirements. There is also the question of whether the same judge should preside over both the review of detention and any subsequent trial, given his prior knowledge of the evidence and the risk that involving judges in what is already controversial legislation might further expose them as terrorist targets, particularly in Northern Ireland.

Senior government officals insist that the Government will not he rushed on its response to the ruling.

Receiver called in at Sound Diffusion

By Philip Coggan

SOUND Diffusion, the UK electrical equipment leasing group, yesterday asked its bankers to appoint a receiver after experiencing a "deterioration in trading" following its recent interim results.

The company's shares were suspended at 22p yesterday and its listing will not be restored.

In 1982, it was one of the best performing shares of the year, rising by 258 per cent, but problems began to set in in 1985. The board's performance was yesterday attacked by a major shareholder, Mr Michael Dawson, chairman of Tunstall, the security equipment group, who described the situation as "a shambles".

Sound Diffusion leases fire alarms, radio systems and kitchen equipment to hospitals, hotels and nursing homes and many of its problems relate to the accounting treatment of those leasing profits.

After Mr David Macdonald, former Takeover Panel director-general, took over at the end of 1987, it was found that the previous management was over-optimistic, in calculating costs of operating leases and the likely rate of cancellations.

Write-offs totalling about £10m severely weakened the group's financial position and the company decided to concentrate on shorter term leases in future. The Bank of Scotland, the company's main bankers, was asked to put up additional funds, but refused.

Egg producers cry foul

Nikki Tait on a scramble to denounce Ms Currie

MRS EDWINA Currie, Junior Health Minister, might be well-advised to give Britain's egg producers a wide berth in the weeks ahead. Her weekend remark that most of Britain's egg production was affected by salmonella was being greeted yesterday with a mixture of annoyance, incredulity and not a little sadness.

"Perhaps she might do the honourable thing and resign," suggests Mr Peter Dean, head of Deans Farm Eggs, part of the Dalgety group, bluntly.

"It's all an enormous exaggeration," remarks Mr Harry Solomon, chairman of Hillsdown Holdings. "The dangers of eating an egg are probably less than walking across the road." The authorities, he says, should clarify the position.

There is certainly a sizable industry potentially affected by Mrs Currie's remarks. According to figures from the Ministry of Agriculture, Fisheries and Food, the average weekly throughput of eggs in the UK ranged between 640,000 and 660,000 30-dozen boxes in the first half of 1987. In "real" terms, it works out at about 30m eggs consumed a day.

In terms of structure, however, the UK industry involves a relatively small number of big players and then a much larger band of smaller producers. At the top are the likes of Thames Valley Eggs, Dalgety and Hillsdown, followed by Kent-based Stonegate Farmers – together taking perhaps 42 per cent of the market.

The largest of these is probably Thames Valley Eggs which industry sources estimate accounts for about 14-15 per cent of throughput. It is, however, a co-operative dating back to the mid-thirties rather than a typical company, and represents about 90 individual producers. These range considerably in terms of size – anything from several thousand to a million birds – and are spread geographically from North Devon to Yorkshire.

After Thames Valley, Hillsdown and Dalgety – rank approximately equally with perhaps 10-11 per cent of the market apiece. In both instances, egg interests are part of a very much larger food operations.

Hillsdown acquired its Daylay business, along with Buxted poultry, from Imperial Group in 1982. Dalgety, by contrast, almost doubled the size of its existing egg subsdiary, Deans Farm Eggs, when it acquired Goldenlay, a co-operative based in the north of England, for £4.4m a year ago. Neither company specifically breaks out egg profits, but at the time of the Goldenlay deal, Dalgety suggested that annual profits of around £1m-£2m would roughly double with the acquisition.

There is a further contrast between the two operations. While Daylay produces and packs, the Dalgety business is more heavily angled towards packaging and marketing. The company estimates that, after Goldenlay, it produces only about 30 per cent of the eggs which it sells.

The fourth "national" group is Stonegate, in this case a well-established privately-owned company. Below these four big players comes a raft of thousands of medium-sized, small and even "cottage industry" egg producers.

Assessing how serious the fall-out from Mrs Currie's remarks and simmering issue of egg safety is difficult. Mr John Coles, head of Thames Valley Eggs and chairman of the British Egg Industry Council, suggests that forward orders may fall by as much as 25-30 per cent. Another large producer suggests that forward orders are already down by a tenth.

A couple of factors complicate early assessment. Demand for eggs traditionally rises in November and December, so the fall-off in demand could be masked by the seasonal upswing.

Also, the egg industry has a lag of six months or more before producers can adjust to changes in demand.

If demand does slump sharply as a result of the recent media attention, Mr Coles is prepared to describe the result as potentially "devastating."

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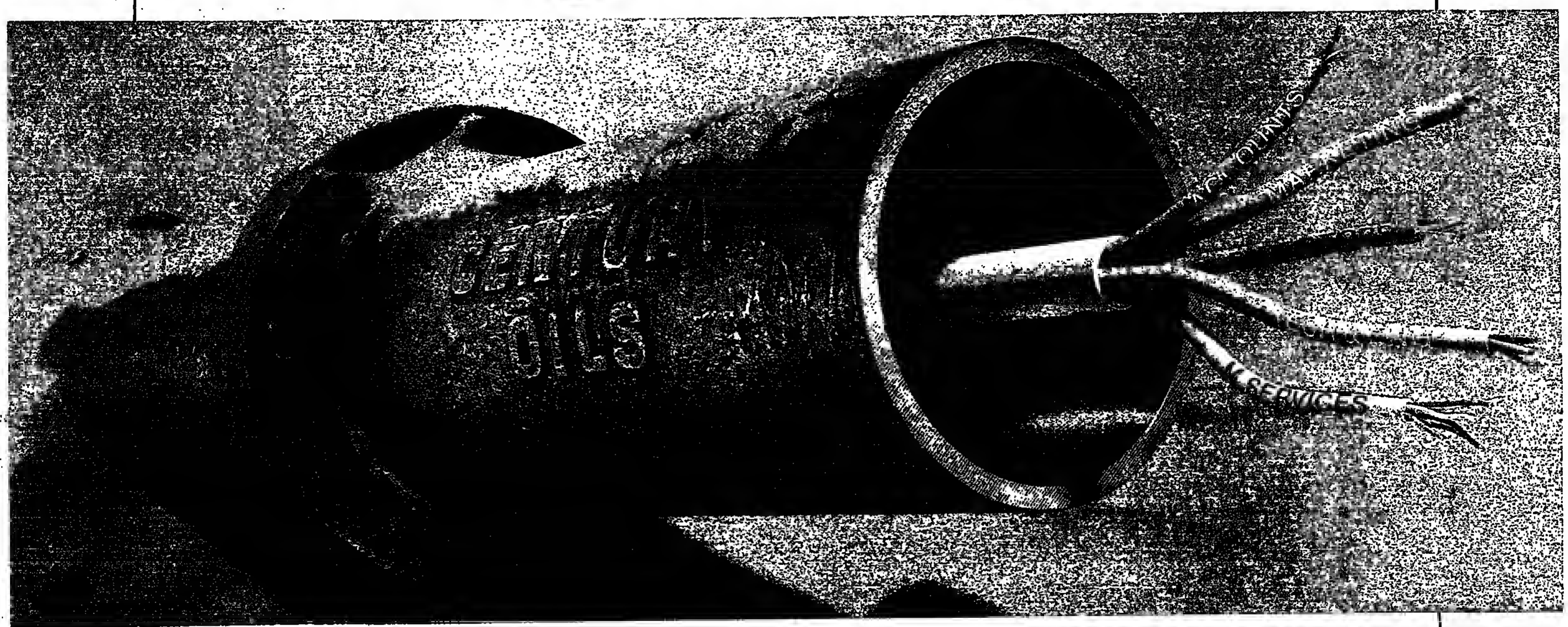

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Building output to rise by 3.5% over next year

By Andrew Taylor, Construction Correspondent

BRITISH construction output will rise by a further 3.5 per cent next year, mostly based on the large amounts of work already in the pipeline, the National Council of Building Material Producers forecast yesterday.

The council, representing about 2,000 companies with annual sales of £17bn, said output, which has risen in every year since 1981, was expected to increase by a further 1 per cent in 1990.

Its forecast, however, included an expected 10 per cent fall in the number of house starts next year by private housebuilders. It said private housing starts would recover in 1990 to about 200,000 compared with 210,000 this year.

The council said its forecast was based on the British economy achieving a soft landing next year. However, construction output was likely to increase

Projects such as the Channel tunnel and the Canary Wharf office development in the Docklands area of London's east end would ensure output rose, the council said.

The private sector was expected to fuel most of the growth during the next 12 to 18 months, although construction orders would also benefit from increases in public expenditure announced in the Autumn Statement last month.

Private commercial construction was likely to be fastest growing sector and forecast to grow by a tenth next year, mostly because of some big office schemes under way or due to start in London, Birmingham and elsewhere.

The outlook for retail construction looked less optimistic in contrast to the leisure market which looked strong. Investment in tourism facilities during the first six months of this year had increased by 61 per cent to more than £2bn, the council said.

Industrial construction had risen by 17 per cent this year and was likely to rise by a further 5 per cent next year. Demand for industrial property remained strong while progress on the Channel tunnel project and other privately financed infrastructure projects would continue to lift work for several years.

Poll shows optimism in plastics industry

By Peter Marsh

A HIGH proportion of companies in Britain's £10bn-a-year plastics industry is increasing profits and expanding plant, a survey shows.

The poll, by the British Plastics Federation, is a sign of the bullish mood in much of the industrialised world's chemicals industry, which in the past year has increased profits considerably as a result of rising prices for many bulk chemicals such as plastics and strong demand from consumer industries such as cars and construction.

The poll was taken among 163 companies with an aggregate turnover of £3.3bn – roughly a third that of the British plastics industry.

More than 90 per cent of plastics suppliers responding to the poll reported increased profits compared with an earlier survey six months ago. The corresponding figure for plastics processors was 61 per cent.

Business Trends Survey, Autumn 1988. British Plastics Federation, 5 Belgrave Square, London SW1X 8PD. £25 to non-members.

Will the good times last? Page 24

Stock Exchange's settlement system 'becoming stranded'

By Barry Riley

THE STOCK Exchange's planned new electronic settlement system Taurus is fast becoming "stranded" according to Mr Gavin Oldham, head of Barclays Bank's retail stockbroking operation, Barclayshare.

Speaking at a London conference yesterday he claimed that few small investors would use Taurus which, after delays, will be introduced in stages from 1990. "It is a utopian concept for a planned economy," he said, adding that it conflicted with the new competitive world which depended on new ethics of initiative.

The Barclays group is now clashing with the Stock Exchange in two important areas of market technology. The other is that of auto-execution systems for small bargains, of which the exchange's own version, called Saef, is to be launched in the new year.

Last month the securities trading arm of Barclays de Zoete Wedd was one of two big firms (the other was Kleinwort Benson) with their own auto-execution systems which forced the Stock Exchange to delay implementation of a trading rule which would have given advantages to Saef.

But in order to sidestep Taurus more effectively Barclayshare will need improvements in the legal standing of its nominee company, which it uses to eliminate most paperwork and give a speedy and cheap service to clients.

Barclays is calling for company law changes to create a new class of "Authorised Nominee" company which would provide a stronger link between listed companies and their small shareholders. At present shareholders suffer losses of their rights if they hold their investments through a nominee such as Barclayshare Nominees, rather than directly.

Although most companies are co-operative, and voluntarily pass on benefits to individual shareholders, it is possible for companies to refuse to supply annual reports or to grant full voting rights, while some companies have declined to extend shareholder "perks" to investors through Barclayshare Nominees.

Barclayshare claims that one effect of the proposed change in company law would be "to encourage the spread and balance of the shareholding democracy."

Iraqi oil chief predicts revival of Opec influence over prices

By Steven Butler

MR ISSAM AL-CHALABI, the Iraqi oil minister, yesterday predicted a revival in the ability the Organisation of Petroleum Exporting Countries to exert strong control over the direction of oil prices, but he gave a warning that Opec alone would not shoulder the burden of maintaining oil market stability.

Mr Al-Chalabi was speaking at a conference on The Outlook for Oil, sponsored by the Financial Times. Mr Al-Chalabi said that Opec would no longer accept a role as residual supplier to the market while other producers were producing at capacity, but would expect non-Opec oil exporters to share some of this burden. He said that Opec members had learned from the past that neither exceptionally high nor exceptionally low prices were in their interests.

Iraq intended to observe the current production agreement. Its export capacity would rise to 4m barrels a day next year, and would pursue a policy of maximising revenue. The agreement was an important springboard towards establishing a long-term strategy for the cartel which, he said, was critical to Opec's future.

Mr James Schlesinger, the former US Secretary of Defence and Energy, who chaired the session, predicted, however, that last week's Opec production agreement would break down because of competition among members of the cartel. His main message, however, was that Opec predominance over markets would return strongly in the 1990s because of a gradual increase in oil consumption, currently at about 1m barrels a day (b/d), along with falling US production. By the mid-90s, he said, US oil imports would reach 12 to 13m b/d. "We Americans, despite ourselves, are doing our best to restore cartel power," he said.

Mr Ian Seymour, editor of the Middle East Economic Survey, said Opec had solved two of its main outstanding problems: the Iran-Iraq quota problem, and the definition of natural gas liquids. However the problem of quota discipline remained because the quota for the UAE, at 988m b/d, was still unrealistic.

It was likely, however, that the UAE would reduce its production, currently in excess of 2m b/d, to the region of 1.2 to 1.25m b/d, and that other Opec members might be willing to look the other way.

Mr Mikhail Styrikovich and Dr Yuri Sinyak, energy experts at the Soviet Academy of Sciences, said Soviet policy called for level oil exports in future years because of the importance of oil to Soviet foreign exchange earnings. Oil exports would be maintained even at the expense of causing constraints to domestic supply, where energy needs would be meet by increasing the supply of natural gas.

Soviet oil reserves remained abundant, but higher levels of investment would be required in future years to maintain production.

The Soviet Union expected to increase overall energy exports by increasing sales of coal and natural gas, with possible gas exports by way of pipeline to Japan or South Korea.

Mr Noram Davidson Kelly, director of corporate development of the London and Scottish Marine Oil Company, cast doubt on the value of forecasting almost any aspect of the oil business, including oil prices, reservoir performance and future fiscal policies. All had proved to vary widely against expectations in the industry.

Mr Peter Gaffney, of Gaffney, Cline, and Associates, said that despite the poor price environment the North Sea appeared to have a bright future, in particular because of opportunities in the gas markets. Inventive exploration and development would continue to provide substantial rewards.

Semiconductor price fall 'curbs market'

By Hugo Dixon

A DRAMATIC fall in semiconductor prices will limit the growth of the UK's electronic components market to only 7 per cent next year, according to a forecast published yesterday by the Afdec, the industry's trade body.

Afdec is predicting that the electronic components market will be worth £1.85bn at manufacturers' prices in 1989, 7.1 per cent up on the 1988 figure.

It estimates that the market grew 18.8 per cent this year, largely as a result of the increase in semiconductor prices brought on by the worldwide shortage of memory chips.

Manufacturers of memory chips, particularly in Japan, are now ramping up their production and, as a result, Afdec expects their price to fall by about 30 per cent next year.

"In volume terms, the memory market is still going leaps and bounds," said Mr Gary Kibblewhite, chairman of Afdec.

However, prospective price cuts meant that this part of the market would only grow by 10 per cent in terms of value.

Mr Kibblewhite also gave a warning that there was a danger of manufacturers flooding the market with more than it could take.

If this happened, prices would fall by substantially more than 30 per cent.

A further factor behind Afdec's forecast of lower growth in components is the generally weaker macroeconomic outlook.

This has contributed to a fall in the book-to-bill ratio of the component distribution industry to below 1 for every month since April. This means that new orders are lower than existing orders.

Afdec is predicting that the components market will pick up again in 1990, growing by 13.7 per cent, as memory chip prices begin to stabilise.

Afdec statistical forecasts for 1989; Afdec, Owles Hall, Owles Lane, Buntingford, Herts SG9 9PL; £250.

UK NEWS

Keeping Brel on the right track

Kevin Brown on why a British Rail unit is attracting bidders

THIS week, copies of the annual results of British Rail Engineering (Brel) will land on the desks of Lord Weinstock, managing director of General Electric Company, Sir Nigel Broackes, chairman of Trafalgar House, and Mr Percy Barnevik, chief executive of Asea Brown Boveri, the Swiss/Swedish electrical engineering group.

The results, which will show a significant improvement in Brel's performance, are likely to intensify a lengthy takeover battle in which these three companies have emerged as the key players.

Mitsubishi of Japan and General Motors of the US were among about a dozen potential buyers which expressed an interest in Brel when the company was put up for sale by British Rail – on government orders – late last year.

In the event, all but two groups dropped out before the initial bid deadline on October 7. The only firm bidders turned out to be General Electric Company of the UK (GEC) and a management and employee buy-out consortium (MEBO) headed by Mr Peter Holdstock, Brel's managing director, with backing from Trafalgar House and ABB.

From Lord Weinstock's point of view, the sale of Brel offers an opportunity to expand GEC's successful interest in the railway equipment market, in which GEC Transportation and GEC Traction are already significant suppliers.

It also makes sense for GEC to do whatever it can to prevent ABB – one of the world's biggest railway equipment companies – from establishing a strong UK base.

However, GEC is fighting an uphill battle against the MEBO consortium, which has the advantage of support from the existing management and workers, as well as the corporate strength of its two multinational backers.

None the less, the consortium has faced substantial problems in putting its bid together, and was recently forced to request a postponement of the final deadline for detailed bids from November 30 to December 21.

The consortium faced two main difficulties. First, BR decided to move the end of Brel'a financial year forward from March 31 to coincide with the closing date for initial bids on October 7.

This meant that the six senior Brel managers who are leading the MEBO consortium were forced to prepare the results at the same time as putting together a complicated bid for the company – a dual role which proved impossible.

There was also a more serious difficulty. The original structure of the consortium provided for the management and employees to hold a controlling stake of 51 per cent in the privatised company, with the balance held equally by Trafalgar House and ABB.

This structure, which would have left control of the company clearly in British hands, had to be scrapped when, towards the end of the talks, BR decided that it would require bigger than expected financial guarantees from the privatised company.

These guarantees, which would demonstrate the ability of Brel to finance completion of existing and future orders, would require access to more funds than would be available to the MEBO team.

As a result, Trafalgar House and ABB have agreed to provide the guarantees, but have insisted on a change in the shareholding structure of the consortium which will reduce the MEBO stake to a minority 20 per cent, with the balance held equally between the two corporate giants.

The three parties have not yet agreed on a mechanism for future changes in the shareholding structure, but talks continue in an effort to solve this before the bid deadline.

An agreement is believed to have been reached, however, which would leave day-to-day management in the hands of the existing management.

Brel was never likely to attract a flood of bidders. The company lost £6.8m in the year to March 31, up from £5.3m in the previous year. In addition, some of its four works in Derby and Crewe in the north Midlands and York in the north east of England are overstaffed and some redundancies are inevitable.

The company has also had difficulties in adapting to the introduction of competitive tendering by BR, which provides almost all the company's work. The loss on competitively-tendered work amounted to £10.9m last year, offset by a profit of £4.1m on work not offered to other companies.

All this has taken place during a period in which the company has been restructured by British Rail, with some works sold, others closed and the workforce cut in six years to 8,000 from 31,000 six years ago.

On the other hand, the reorganisation is beginning to bear fruit – production of Class 321 electric multiple units at York is running four to six weeks early, for example.

In the longer term, Brel is well placed to benefit from the "new railway age" which most railway managers believe the industry is entering.

For example, the company has a stake in the Anglo-French-Belgian consortium which is almost certain to win the £400m contract to build high-speed trains for the Channel tunnel, and is also involved with GEC and Alsthom of France in a separate consortium seeking the contract to build shuttle trains for Eurotunnel, the tunnel promoters.

There are several other promising developments:

- Brel will be a bidder for the £1.6bn which BR is planning to spend on new rolling stock in the next five years.
- There is also likely to be a large investment programme by London Underground, which will have to be split between a number of suppliers to ensure quick delivery.
- Brel is talking to the promoters of light rail projects in several UK cities where new systems are being considered.
- Much of the formerly heavy demand for repairs and maintenance on BR locomotives has disappeared, but Brel has had some success in attracting diesel repair work from other sources, such as the Defence Ministry.
- Export markets have been identified in a number of countries, including India, China and the Soviet Union, where technology transfer could follow rolling stock sales.

Trafalgar House could also give Brel access to the proposed high-speed line from London to the Channel Tunnel, which Trafalgar is interested in building privately.

The prime attraction of the deal for ABB is thought to be Brel's low-cost production of body shells and units – the two production lines in Crewe could be used to satisfy ABB demand, for example.

The MEBO consortium has told the Government that its bid represents the best combination of management continuity, workforce support and strategic planning. At the end of the day, however, ministers may be most impressed by the political attractions of the consortium's promise to keep all four existing works open.

Common basic Vat rates urged for EC

By Guy de Jonquières

DIFFERENCES between value added tax rates in the European Community can be prevented from distorting competition after 1992 if countries agree simply to set common minimum rates, according to a report by the Institute for Fiscal Studies.

The report, prepared for the Round Table of European Industrialists, says such a system would be preferable to the EC Commission's controversial proposal to group national Vat rates into two bands.

The Institute argues thet the Commission's proposal is needlessly restrictive. It says all that is required is action to atop countries undercutting each others' tax rates, and that they should remain free to set maximum rates at whatever level they chose.

The report also criticises the Commission's plan for a clearing house to re-distribute Vat revenues between national governments after internal EC frontier controls are abolished.

It says the clearing house will reduce the incentive for governments to detect Vat fraud.

Harmonisation of excise duty rates will be unavoidable after 1992 unless agreement is reached on alternative administrative arrangements, it adds.

Different national excise rates could continue if tax stamps are used for dutiable goods, or if the EC allows excise rates to be set by regional groupings of countries with few common land frontiers.

Opening up the tax frontiers; Institute for Fiscal Studies. The Round Table of European Industrialists, 15 Rue Guimard, 1040 Brussels, Belgium.

FINANCIAL TIMES SURVEY

Radical reforms to reduce the communist party's role in the economy and reshape the country's trade and industry are now in place. But converting from a centrally-planned economy to a market-oriented system will be far from easy. **Judy Dempsey** reports


Cockpit of the radical reforms to reshape the country's trade and industry: the Yugoslav Federal Assembly (parliament) in session earlier this year

YUGOSLAVIA TRADE & INDUSTRY

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The party is over . . .

THE AFTER MONTHS of debate, interrupted by ethnic unrest and nationalist tensions, the Yugoslav authorities are embarking on an apparently radical economic programme which could reshape the country's trade and industry.

The reforms, inclnded in amendments to the 1974 Constitution, and designed to make the economy more market-oriented, also attempt to break the unwieldly power of the bureaucracy and of the six republics and two autonomous provinces.

Those reforms were for months overshadowed by a bitter dispute between Mr Slobodan Milosevic, the party leader in the republic of Serbia, and the leadership in the southern province of Kosovo.

Since 1974, Kosovo has been constitutionally linked to Serbia but enjoyed many of the rights of the other Republics. But by amending Serbia's own constitution, Mr Milosevic hoped to integrate Kosovo into Serbia.

His plans, however, re-awakened deep suspicions of Serbia's intentions among some of the other Republics, most notably Slovenia and Croatia. They objected on the grounds that it would give Serbia greater political influence throughout the Federation.

This was precisely what the late President Tito sought to avoid in the 1974 Constitution which weakened Serbia's power by creating the provinces of Kosovo and Vojvodina in the north. But a determined Mr Milosevic, spurred on by his Serbian nationalist supporters, accused the Kosovo leadership of not protecting its Serbian and Montenegrin minorities against alleged intimidation by the ethnic Albanian majority.

After months of mass demonstrations by Serb nationalists, the changes in the Serbian constitution were eventually made and accepted by the other republics.

Following this decision, the Federal party leadership has pressed ahead with the separation of communist party and state which, in theory at least, will enable the Federal government to push through economic reforms applicable to all the republics and provinces.

Under the outgoing system officials could hold posts in both party and state simultaneously. As a result, the state had little real authority or power to implement policies. Nor were the economic functions of the state strictly defined. However, a Federal meeting of the party's central committee last October decided to delineate responsibilities, so as to claw back some authority for the state and reduce the party's role in the running of the economy.

This involves dismantling the system, whereby key economic positions, such as managers of the large enterprises had been earmarked for those better known for their loyalty to the local party elite than for competence or expertise.

Tacit acceptance of the party's continuing, if not pervasive, influence in the economy has, in the past, manifested itself in many ways. Most obviously and commonly, patronage and good old fashioned nepotism, the extended family and loyalty to it, has often helped cover-up poor economic decisions and badly-run enterprises, as occurred in the Agrokomerc crisis in the summer of 1987. The issuing of unbacked promissory notes, which apparently had been known for some time, revealed a network of patronage reaching up to the party leadership. Clearly, the state will require considerable tenacity, courage and competence, to push through reforms which upset these cherished old traditions.

Other reforms include liberalising the latest joint-venture legislation, creating greater independence for the banks and allowing enterprises to raise capital. This is crucial for the future development and modernisation of the industrial base since one of the main problems of Yugoslavia's economy in recent years has been a sharp decline in capital investment in key areas of potential growth.

This has been partly due to soaring inflation, a debt exceeding US$20bn, and the federal government's inability to put a squeeze on consumer spending, and the power of the individual republics to pursue their own economic projects.

Yugoslav economists believe that a worrying drop in gross investment - 4 per cent in 1987 and 5 per cent in 1988 - is a measure not only of the growing obsolescence of industrial machinery and equipment, with a subsequent decline in the country's competitiveness, but also of the deteriorating quality of the economic and social infrastructure.

In fact, the state of the infrastructure, including roads, housing, hospitals, transport, hotels, the sewerage system and the environment generally, is now regarded as one of the most serious problems affecting not just Yogoslavia but all of Eastern Europe.

Yugoslav economists blame this investment decline on the "complete misuse of hard currency credits" as well as the lack of any public accountability to monitor the use of these funds. Such explanations are confirmed by the giant steel works of Smederevo, close to Belgrade. White elephant projects designed to reinforce political power bases in the republics, have too often substituted for economic planning.

Given these conditions plus restrictions on borrowing hard currency, the Yugoslav authorities this year were forced to boost foreign investment incentives, snch as the new joint venture legislation.

It will enable foreign companies to repatriate profits, select their own management and workforce, and disregard the much-vaunted principle of workers' self management.

Yugoslav officials admit that converting the centrally-planned economies of the republics and provinces to a more market-oriented system will be far from easy. The Republics and particularly their party organisations and communes on the local level will in future have to be held to the logic of the market and the rule of law. The party will undoubtedly lose its clout at the local level, where patronage, nepotism and a myriad of vested interests prevail over economic rationale. And the party will have to share the costs for years of economic mismanagement and "bureaucratism."

Yugoslav economists believe that the reforms, if they are to bite, will eventually shake out the old and inefficient industries. This will exacerbate unemployment, now running as high as 50 per cent in some parts of the country, especially in the less-developed southern republics. Economists say that both party and state institutions will have to set up special social funds for re-training, for re-deploying labour and for the unemployed. In addition, they stress that in future, the rule of law will have to prevail over political interests.

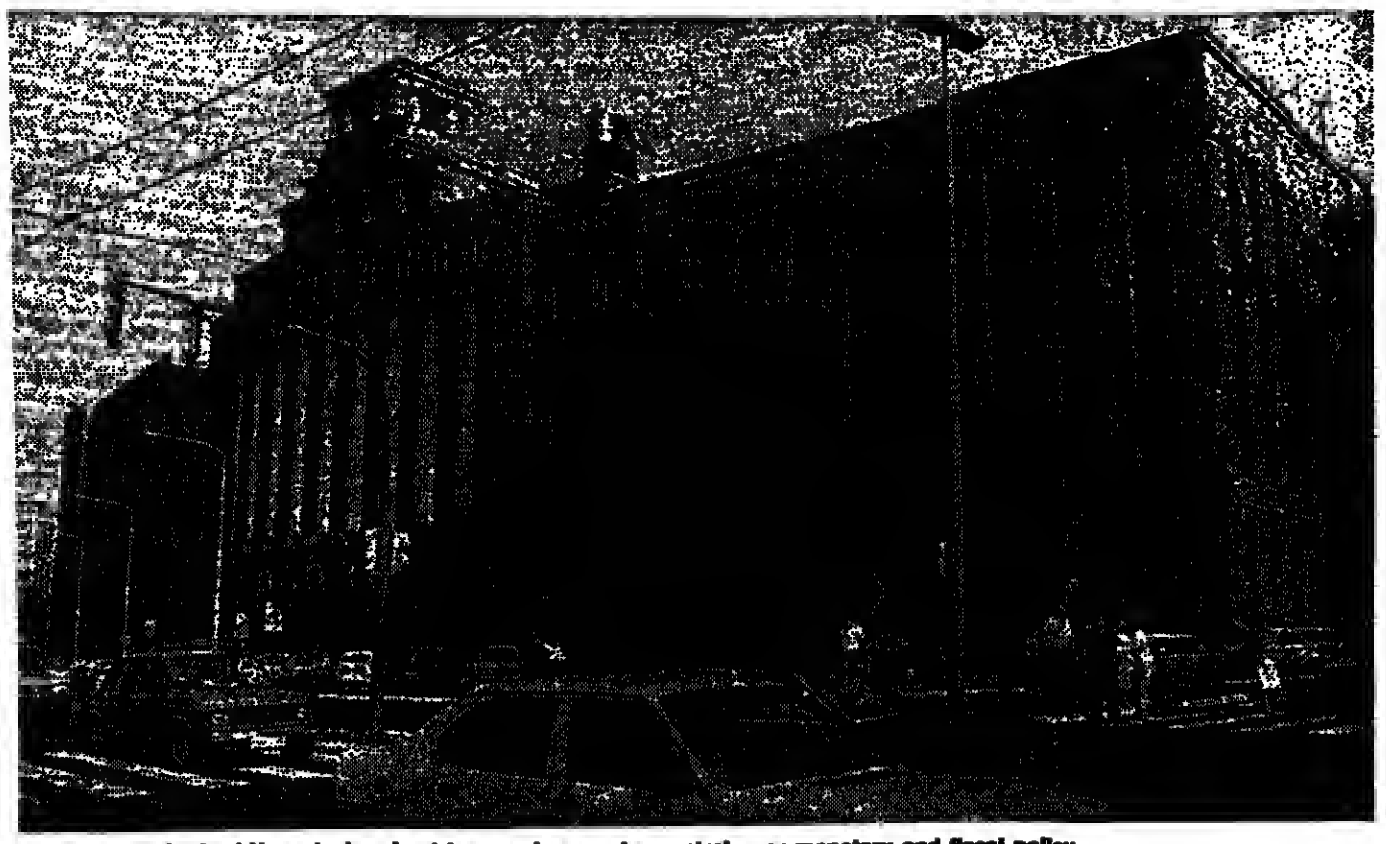
Foreign investors who feel restricted by the local bureaucracies, must be enabled to challenge interference as well as repatriate profits.

In the short term, Yugoslavia seems to be going through a breathing space. Exports to hard currency countries over the past ten months have risen by 15 per cent.

Unexpectedly high growth in the West German economy has boosted imports of Yugoslav goods. The dinar, the Yugoslav currency continued to depreciate, although some economists believe it is now undervalued. Inflation running at 270 per cent, a squeeze on consumer spending caused by high tariffs on imported goods and wage controls have belped boost exports. Economists are unsure how long this trend will last.

But one thing they are sure about: however mucb the republics and the Federal government have had to compromise on some aspects of the reforms, they are now in place. As for their implementation, few economists dare predict the social and political consequences for Yugoslav society.

YUGOSLAV TRADE AND INDUSTRY 2



The National Bank of Yugoslavia: about to exercise greater control over monetary and fiscal policy

Radical reforms will shortly allow banks to take a . . .

Key step to independence

AFTER MONTHS of discussion and debate, Yugoslavia's bankers are about to embark on a radical course designed to give them greater independence.

Banking reforms, which are part of the amendments to the 1974 Constitution, will dismantle a system which has tied the banks to enterprises. The changes are due to come into effect in the New Year. Under the present system, banks are divided into several categories: internal banks, saving banks, basic banks, associated banks and the National Bank of Yugoslavia. These are organised under the umbrella of "self-management" principles which means in practice that they are founded, managed, and closely tightly-controlled, by the representatives of the socialist-run enterprises.

Such a relationship can resemble a share-ownership system, given the fact that the banks form their assets from the enterprises' deposits as well as from credits from the central bank and foreign banks. In many cases, the bank's resources are ploughed back into the enterprises. But the bank has little choice. It can neither extricate itself from the enterprise, or buy it out, nor even merge with another bank or enterprise. Its assets are simply not transferable. Divorce is not permitted.

Thus, while the enterprise, in theory at least, invests in the bank, simultaneously, the enterprise acquires the right to manage the bank and is represented on the management boards of the banks.

"That relationship between the internal bank and the local enterprise evolved, in many cases, into an incestuous and corrupt relationship," according to one Belgrade banker. For example, the bank is rarely in a position to deny credits to the enterprise.

"If the enterprise director is on the management board, he can hardly refuse himself credits, can he?" a banker explained. A refusal can render the enterprise unable to pay the workers' salaries and provoke social unrest. And for obvious reasons, the enterprises are reluctant to declare themselves bankrupt or make some of their workforce redundant.

Yugoslav bankers agree that the system has created little public accountability and more importantly, it has not kept a strict enough check on economic performance.

As they explain it: "The banks and enterprises are simply too dependent on each other. If the enterprise is making losses, it turns to its own bank. That bank is often forced to raise loans from other banks. The more the bank borrows, the more its liquidity is strained. It ends up in a very vicious circle."

The new legislation entails divorcing the bank from the enterprise, making of it an independent, functioning institution not beholden to the demands of the local enterprise.

More importantly, bankers hope to shed all the vestiges of enterprise management from their own boards of management.

"Of course, if the enterprise is a shareholder, he will have rights. But now, the question of profits and performance, things which were not part of the banking or enterprise vocabulary in the past, will prevail. The old ties will be broken."

The reforms will force enterprises to take a hard look at their own books knowing that they can no longer rely on the local bank manager. Bankers, in turn, will be able to exercise more discretion.

On a more national if not international level, banks will be able to raise equity and capital. But at the same time, they will be required to tighten their minimum reserves and be subject to much closer control by the National Bank.

Often described as a department of the Finance Ministry, it maintains the general liquidity of the banking system but not that of individual commercial banks. In addition, it acts as monitor, supervisor and final guarantor of the banks — in effect, a lender of last resort.

The National Bank also prescribes the legal reserves of banks for maintenance of liquidity. In the past, banks had to deposit 4 per cent of assets with the central bank.

But under the terms of the Constitutional amendments, and pending legislation the National bank will exercise greater control over monetary and fiscal policy, the money supply and interest rates.

Yugoslav bankers and economists admit that the reforms will be difficult to implement. They say that the transition to independent banking will not be easy. Managers will in future have to adopt a more market-oriented attitude towards running their enterprises. After all, they will no longer be able to rely on the once cosy relationship with their bank.

Bankers argue that these reforms should at least begin the process of shaking "bad loans" out of the system. In the words of one bankers, "the old days where the manager could grant himself credits, are, hopefully coming to an end. We are on the road to real banking."

Judy Dempsey

INDUSTRIAL JOINT-VENTURES

Changes to woo investors

IN A concerted drive to attract foreign investment and capital, the Yugoslav authorities have introduced sweeping changes to their joint-venture legislation.

The changes, part of a much broader reform package, are a desperate attempt to rebuild the economy, modernise industry and repair an appalling infrastructure.

And in order to attract potential outside investors, the Yugoslavs have killed off several sacred cows, including workers' self-management, which in the past, prevented enterprise managers making independent decisions.

The joint-venture legislation, designed to make Yugoslav enterprises more market-oriented, should take effect from the beginning of 1989. It focuses on certain key areas: duty free zones, services, and small enterprises, both in the socialist and privately-run sectors.

In future, any Western company will be permitted to own, virtually wholly , enterprises set up in the free trade zones, of which there are already 19 scattered throughout the country.

Yugoslav officials admit that the maximum share held by e foreign company has not yet been fixed. "Some want a token 1 per cent to be held by the Yugoslav partner", says Mr Cedomir Kovacevic, one of the main architects behind this reform.

But of more immediate importance for the investors, (and e problem shared by other countries in Eastern Europe) is the question of the rights granted to those willing to pour money into the Yugoslav economy.

"Any foreign investor in Yugoslavia will have rights equal to those of his partners in the West. He will, for instance, be able to repatriate his profits. Any investments will be protected and can be taken out of the country. And new investors will have full rights. There will be no restrictions," says Mr Kovacevic.

Outside the free-trade zones, the legislation is somewhat different. On practical and economic grounds, the Yugoslav authorities are insisting that those foreign companies wishing to set up e new enterprise with a Yugoslav partner must first put up a minimum 30 per cent share. "It would not make sense otherwise," says Mr Kovacevic, adding that the minimum starting-up capital for certain kinds of enterprises would amount to ebont US$50,000.

He and other officials expect few problems with this minimum investment. Several Yugoslav officials and economists, however, wonder if there will be any takers by outside companies.

In the past, many Western companies hesitated to invest in the country, not only because of the prohibitive conditions governing the repatriation of profits. The system itself prevented the foreign partner to play an active role in the organisation of the enterprise.

In many cases, the enterprise managers were, and continue to be, appointed by the local party commune. The workforce, organised under the "Associated Law of Labour", e document about the size of the Bible were able to interfere in the day-to-day running of the enterprise; the manager had little entonomy or genuine responsibility.

This is supposed to change under the new legislation. Any foreign company which sets up a completely new enterprise with a Yugoslav partner will make a contract with the workforce. That contract will have little in common with the old workers' self-management model.

For example, the foreign and Yugoslav partners can collaborate to choose the management, set the salaries, hire and even dismiss the workforce. Officials concede, however, that they expect problems during the initial stages.

"Attitudes will have to change," several bankers said. "When you have had a system whereby the local party organisation and commune continually interfered for years and put their own men into the enterprises, some will try to play the old game again. But its not on."

"Foreign investors will actually contribute to modernising our economy. But if they are harassed by nepotism and patronage, they will pull out. The rule of law must reign," one banker commented.

The new regulations will provide for a collective contract between the trade union and the company. Workers' rights will be restricted. "There will be proper demarcation lines concerning their involvement and the responsibilities of the workers. A taboo has been broken. In that sense, the law is explosive," says Mr Kovacevic.

However, part of the old structure will be retained in certain state-run industries. Foreign investors will not, at least in the foreseeable future, be allowed shares in, for instance, Smedervo, the giant steel works located on the banks of the Danube outside Belgrade, he says.

The loss-making Smedervo plant is, in any case, undergoing e massive restructuring programme, so it is not particularly attractive to outsiders. But more importantly, the Serbian anthorities are not yet prepared to lay off thousands of workers.

"It would be politically suicidal," says one Yugoslav banker. "There are many of these giant industries in the country. And we have to decide whether to close them down, or ponr in large amounts of capital in order to modernise them. That would also mean rationalising the workforce and management. We know they are overmanned. That is now e major problem facing the authorities."

Wide regional differences, social and economic, provide another major problem: the north, including the Republics of Slovenia and Croatia, are comparatively well-off. Unemployment is low, productivity is higher than in the poor underdeveloped southern Republics of Macedonia and Montenegro and the Province of Kosovo. Such differences are further accentuated by the economic profiles of the north and south. The north's economic base consists of the textile, tourism and services and light industries. The south, including Serbia, is lumbered with loss-making heavy industries. Economists expect foreign investors to show more interest, at least to begin with, in the north.

"It is a risk we have to take. We are eware of the ettraction of the north, where parts of the economic and political culture are more Western-oriented," a Yugoslav banker commented. "But in the long term, we hope we can pull investors down to the south."

This will take time. But at least the long-awaited changes to the existing joint-venture legislation are now in place. And now that both the foreign investor and the Yugoslav partner are less likely to be strangled by red tape and overbearing and ubiquitous bureaucracy, the omens, if not good, are at least better.

Judy Dempsey

PROFILE: GENEX

The will to succeed

GENERAL EXPORT, Genex for short, has sustained a steady 7 to 9 per cent annual growth in turnover over the past decade, expected to culminate this year in e record $6.5bn, up from $6,048m last year.

Genex ectivities include domestic and foreign trade but also in tourism, hotels, catering, aviation, industrial and agricultural production, and finance.

Genex is personified by Mr Miodrag Savicevic, its dynamic president, Miki to friends, who has proved e remarkable survivor over the past 15 years, warding off countless highly-placed aspirants for his job, and many attacks on his unorthodox methods.

Genex accounts for 12 to 13 per cent of total Yugoslav foreign trade. In is particular active in trade both ways with the UK, with Middle East countries, with the GDR, and with Scandinavian countries. It maintains a large network of representative offices and wholly-owned companies abroad, including (in the UK) B.S.E. Genex Co.Ltd. and Zastava (G.B.) ltd., and various Yugotours offices; (in West Germany) Combick, (in Scandinavia) Jugoskandia, and (in the US) Impex Overseas Corp.

Within Yugoslavia, the organisation is subdivided into eight foreign trading divisions, one wholesaling and one retailing division, as well as six tourism divisions. The eight foreign trading divisions cover between them agriculture, investment equipment, chemicals and petroleum prodncts, metals, textiles and footwear, timber and paper, glass and ceramics.

Perhaps the best known offspring of Genex is Yugotours which brings foreign tourists in Yugoslavia. It operates in many European countries but is particularly strong in the UK. Last year, it handled nearly 700,000 tourists.

Genex's own charter airline, Aviogenex, carries Yugotours' clients, almost 600,000 of them, last year. It has been replacing its Soviet made airplanes with Boeings, of which it will eventually have seven, some of them new 737s. Yugotours also uses two other domestic air carriers, Yugoslav airlines - Jat, and Adria airways.

Genex portfolio also includes the Beograd Intercontinental hotel, Belgrade's only de luxe hotel, which it plans to extend very shortly. The work is due to be finished in nine months time - in time for next year non-aligned summit in Belgrade.

Genex has recently begun investing in winter sports facilities and hotels on the beautiful Kopaonik mountain less than 200 miles south of Belgrade. Three hotels and an apartment settlement have been built to provide over 5,000 beds. The Kopaonik skiing centre has also been equipped with 20 cableways and 44 kilometres of skiing pistes. It is already fully booked for the 1988/89 winter season.

The most recent addition to the Genex family has been the Genex-McDonald's joint venture established last year with one fast food restaurant in Belgrade, and plans to open another 21 more gradually over the next few years in Belgrade and other Yugoslav towns.

Genex and its president have been proving that determined people who know what they want and have the expertise can succeed even under the adverse conditions which have long prevailed in Yugoslavia. Now that economic reform is imminent, Genex should be among the first to benefit.

Aleksander Lebl

هكذا من الأصل

Broadly balanced trade with the West is in sight, but there is . . .

Anxiety over Single Europe

YUGOSLAV business may be reeling under the tight demand constraints imposed on the domestic economy by the current austerity programme, but it has reaped some reward in the form of a strong export performance in trade with Western economies this year.

In the first 10 months, hard currency exports grew by a commendable 15 per cent, allowing imports also to rise by 6 per cent, with both figures being greater than projected in the current plan. For the first time in decades, Yugoslavia is now in sight of broadly balanced trade with the West.

Trade officials say that the good performance of exports has been registered across the board, with no one sector standing out. In part this is due to higher than expected growth in West European economies which constitute the country's major markets – West Germany is Yugoslavia's largest trading partner, closely followed by Italy – but it also owes much to depressed conditions at home, which have forced businessmen to turn abroad for sales.

The steady depreciation of the dinar means that some now regard it as an undervalued currency. Meanwhile, according to Mr Oskar Kovac, Federal Executive Council member responsible for foreign external relations, unexpectedly high inflation has meant that the tight ceilings on wage growth, public consumption and money supply expansion have bitten harder than originally expected.

None the less, Yugoslavia remains vulnerable in the longer term. Trade with Eastern Europe is sluggish, and it also faces continuing difficulties in its trade with developing countries, particularly those in the Middle East and Africa which have notched up unpaid bilateral debts of some $3bn.

Lack of foreign exchange restricts Yugoslavia's ability to finance further trade with developing countries, and its relatively slow progress in tapping more distant industrial country markets of the Far East and the US have made it heavily dependent on Western Europe.

This is why Yugoslavia is eyeing the single European market planned for 1992 with anxiety. Officials in the Ministry of External Economic Relations fear the EC Commission, in Brussels, may single out Yugoslavia for action on dumping. In the first 10 months of this year, seven such cases were instituted, of which five were in the iron and steel sector, according to Mr Boran Karadzole, the Ministry's Assistant Secretary.

Relative to the volume of trade, "we think we are sued more under anti-dumping than the Japanese," he says.

Yet the concern over 1992 in Belgrade is not so much fear of increasing EC protectionism. Yugoslavia already enjoys preferential status in its trade relations with the EC as a Mediterranean developing country. This implies it has little to fear from EC demands for reciprocity in its external trade.

Under its existing trade agreement with the EC, most Yugoslav industrial products can enter the Community free of customs duty on quota restriction, but there are 35 categories of product which are subject to ceilings above which duty is charged.

Mr Kovac does not expect these quotas to be reduced in connection with 1992. Indeed, they are likely to increase, because that is allowed for in existing agreements.

But Yugoslav exporters are nervous about keeping up with the increased competition in EC markets after 1992. Yugoslavia's trade with the EC represents only 0.64 per cent of total EC trade with third markets – hardly a strong position from which to negotiate, especially when dealing with dumping charges.

They worry above all about meeting harmonised industrial standards being introduced by the EC in the run-up to 1992, a task which requires constant vigilance and consultation with the Commission in Brussels.

Meanwhile, Yugoslavia is planning to liberalise its imports. Despite the country's general shortage of foreign exchange, the market has been liberalised to give importers easier access to currency.

As part of the wider economic reform programme, Yugoslavia plans more cuts in both tariffs and import quotas. "A very high share of our trade will be entirely free," Mr Kovac says. Even the import of consumer goods will be liberalised to encourage competition in the domestic market.

Given the depressed level of the domestic economy, this is unlikely to lead to a surge of imports in the short-term. Officially, Yugoslavia has no countertrade policy, but such is the state of its economy, that Western businessmen say its importers have increasingly been demanding compensation business over the past couple of years.

Under the liberalised foreign exchange market, businesses can theoretically buy the currency they need for their imports at the prevailing rate, but foreign currency has become expensive with the depreciation of the dinar, industry's finances are stretched and high local interest rates restrict borrowing to finance imports.

Western businessmen expect demands for compensation business to continue even though this makes trade more difficult. Yugoslav suppliers are not yet used to providing the kind of quality and reliability of delivery that Western markets require, they say.

Like its Comecon neighbours, Yugoslavia is trying to attract more capital from the West through joint ventures. Though several of these have already started up, they are generally designed to ensure Yugoslav control; the Western partners have been encouraged to provide debt finance rather than equity.

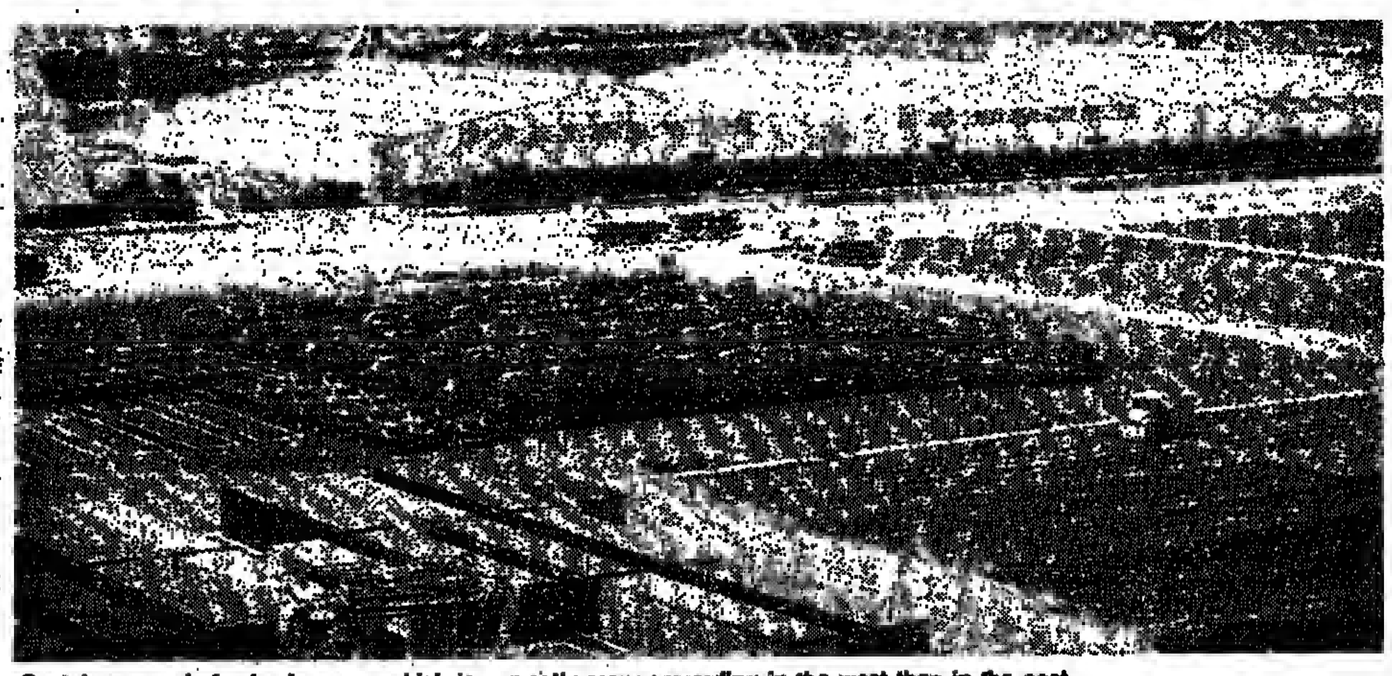
Under new legislation expected to be implemented next year, foreign companies will be allowed to establish fully-owned subsidiaries in Yugoslavia, but with the exception of hotels and road concessions, these will be confined to special export-orientated duty-free trade zones.

Peter Montagnon

Yugoslavia Foreign Trade($bn)

Jan-Oct	1987	1988
Total exports	8.76	9.77
Total imports	9.77	10.08
Exports to:		
– developed countries	4.45	5.35
– developing countries	1.30	1.36
– socialist countries	3.01	3.06
Imports from:		
– developed countries	5.47	5.64
– developing countries	1.29	1.63
– socialist countries	3.01	2.80

Source: Yugoslav Federal Office of Statistics



Containers ready for business — which is currently more rewarding in the west than in the east

COMECON TRADE

Imbalance fuels inflation

WHILE Yugoslavia's trade with the West has been going from strength to strength in the last couple of years, its business with Comecon countries is in the doldrums.

Like Finland, Yugoslavia's trade with the Soviet Union is carried out on a clearing basis which is supposed to produce a balanced result, but, largely as a result of the fall in the price of oil and other commodities, Yugoslavia has notched up a surplus which now stands at some $1.7bn.

According to Mr Jovo Panajotovic, Federal Executive Council member responsible for trade with Comecon, this imbalance does not represent a decline in the actual volume of trade, which has been in line with the economic plan, but the fact that prices of Soviet raw materials have dropped while those of Yugoslav manufactured goods have not.

The result is worrying to Yugoslavia, partly because it has led to a fall in the share of Comecon in the country's total trade – which is expected to reach only 32 per cent this year compared with 44.2 per cent as recently as 1985. A more important factor is that the imbalance is seen as fuelling inflation which is now running at some 200 per cent.

"Essentially the imbalance represents an interest free credit to the USSR," says Mr Panajotovic. "Our country is small and very poor and this is why it is difficult to bear this burden which fuels inflation."

Under the clearing system arrangement, the Yugoslav central bank pays exporters in dinars for the goods they sell to the Soviet Union, but because it is not collecting a similar amount to pay for imports the process is swelling the money supply.

Theoretically it should be possible for Yugoslavia to correct the imbalance by buying more goods from the Soviet Union, but this is easier said than done.

"Its hard to raise purchases" Mr Panajotovic says, "because Soviet products don't match our home demand. We would want to buy things that they themselves lack and have to import," he says.

Also Yugoslavia's depressed domestic economy and low investment levels mean that the scope for additional purchases is limited.

A number of solutions to the Soviet trade problem have been suggested recently. One might be to turn part of the surplus into a credit on which the Soviet Union would pay interest; another, to find a way of increasing imports of consumer goods and capital equipment.

According to Mr Oskar Kovac, Federal Executive Council member responsible for external economic relations, the eventual solution, which will be reached only after detailed discussions with the Soviet side will almost certainly involve a combination of the two.

"The size of the surplus is so large that we'll have to employ both mechanisms," he says. Yugoslavia would like to purchase more oil and draw materials from the Soviet Union but it would also have to look at buying manufactured goods and capital equipment as well.

Meanwhile, one way of mitigating the impact of the surplus on domestic money supply, at least in the short term, would be to make Yugoslav exporters wait 60-days for payment as they are now expected to do on hard-currency sale of goods to the West.

Business with the bloc has fallen sharply

The decline in oil prices has also affected trade flows within Comecon itself, but Yugoslavia has felt the brunt of the effect more quickly than Comecon countries because the price it pays for Soviet oil is calculated according to the current market.

Comecon countries, by contrast work on the basis of a five-year rolling average, which means they have been slower to feel the effect of the drop in oil prices in the current decade.

Yugoslavia's two way trade with the Soviet Union, which in the first nine months of this year totalled some $2.75bn resulting in a surplus of some $366bn in Yugoslavia's favour dominates its trade with the Eastern bloc. Mr Panajotovic says it should not be difficult to balance this trade on an ongoing basis, but the main problem is the size of the surplus already accumulated.

Although the country also has clearing arrangements with the German Democratic Republic and Czechoslovakia, these have not given rise to the same problems of imbalance both because the volume of trade is lower and because the goods which Yugoslavia buys are mainly machinery and equipment which are not so volatile in price.

Trade with the other Eastern European countries – Bulgaria, Romania, Hungary and Poland – trade is settled in convertible currencies. Special arrangements exist for Poland within this group because of a requirement for exports to be fully matched by imports.

Yet the general shortage of foreign exchange in Eastern Europe has also affected Yugoslavia's trade with these countries. Mr Panajotovic says Yugoslavia noted a drop in its trade with these countries starting from the time when settlement in convertible currency was introduced a few years ago.

Meanwhile the process of economic restructuring in the Soviet Union has injected a fresh level of uncertainty which is hampering trade because of the decentralisation of decision-making.

Previously, it was the state which decided on trade matters in accordance with the five-year plan, Mr Panajotovic says. Now the state decides some things centrally, others are up to individual ministries and some decisions are taken at the level of individual enterprises.

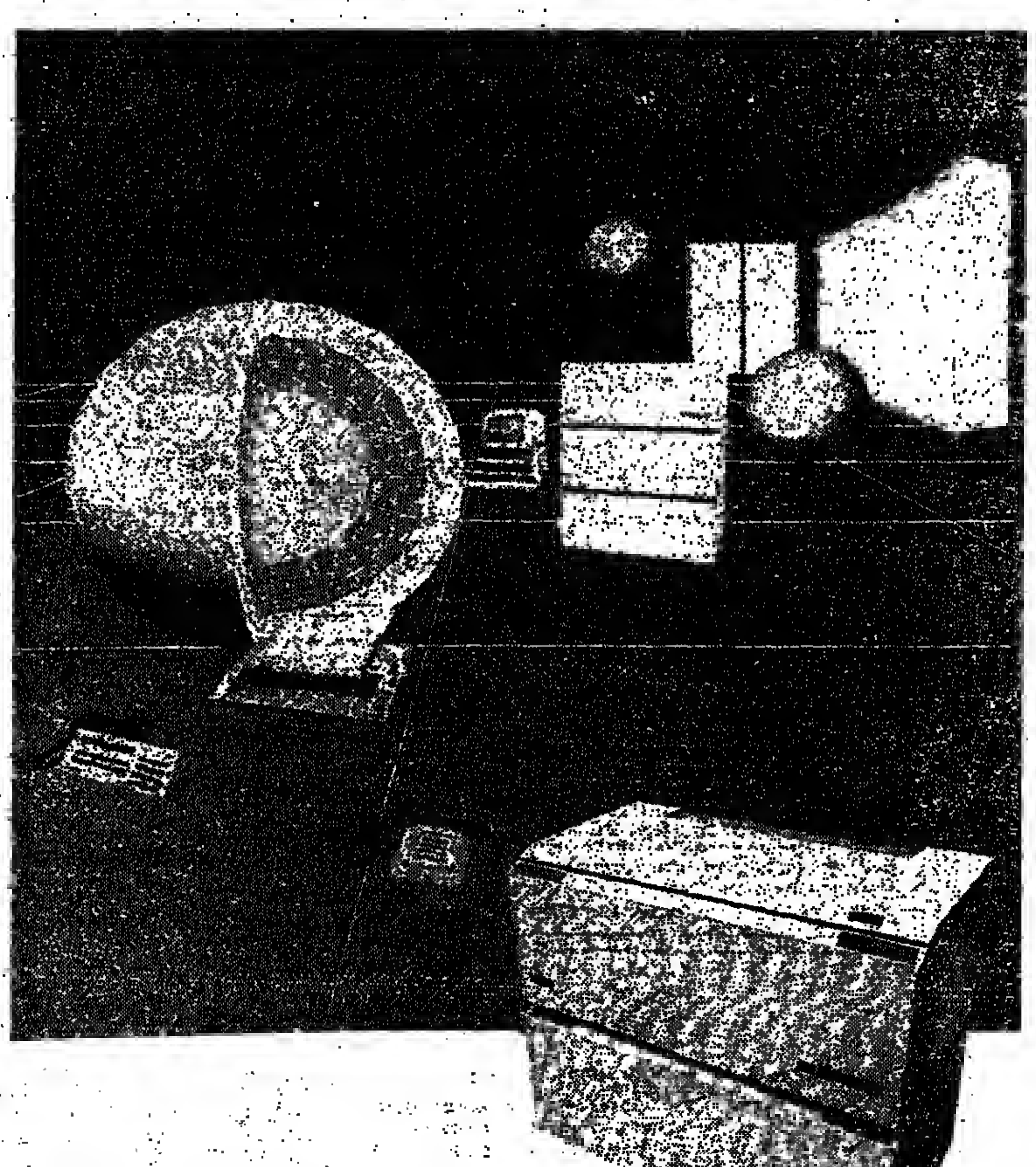
Mr Panajotovic, who was manager of a metal factory in Skopje until he joined the government in the summer, says it is impossible to say how long it will take before the new system in Comecon countries settles down.

The changes have made life harder for Yugoslav enterprises seeking to trade with the Soviet bloc, he says, but the country is still very much in favour of the economic reform process going on in the Soviet Union.

Yugoslavia, which is itself undergoing reforms to make enterprises more independent and market-orientated, "welcomes the establishment of direct contact with enterprises in Comecon countries," Mr Panajotovic says. Its firms are also involved in preparing a number of joint ventures in the region, mostly in the Soviet Union.

Theoretically this could also create scope for three way ventures in which Western firms and Yugoslav enterprises team up to develop business inside Comecon, but so far there has been little interest in this type of venture.

Peter Montagnon



Although holdings are small, private sector farming produces more than the socialist sector

With output down, agriculture must tap its . . .

Private potential

A COMBINATION of droughts, bad winters and falling investments have led to a sharp decline in Yugoslavia's agricultural exports and production.

But the authorities are hoping that new economic reforms, which also effect agriculture, will eventually pull this ailing sector of the economy out of the doldrums.

Preliminary figures for 1988 make pretty grim reading. According to the Federal Committee for Agriculture, losses in staple crops for 1988 will total about US$1bn. The maize crop, an important earner for the country, will be 40 per cent less than planned. The beet crop, which amounted to over 6.2bn tonnes last year will be reduced by 37 per cent. The same applies to the sun-flower crop.

These disappointing figures have already affected exports. Over the past few years, 80 per cent of Yugoslav agricultural exports were ear-marked for the Comecon markets while the remaining 20 per cent went to Western markets. But economists reckon that the 1988 figures will reflect the decrease in productivity and output. Equally, they expect agriculture's total share of the Yugoslav economy, which during the early 1980s, stood at 15 per cent, to drop a few percentage points.

This pessimistic catalogue of figures is supplemented by the authorities' increasing concern about the slow pace of modernising and reorganising the industry.

Fewer than 140,000 hectares of land, that's about 1.6 per cent of the country's farming areas, is irrigated. The authorities freely admit that this is below the minimum required by modern food production methods. A plan has already been drawn up whereby over 1.5bn hectares of land will be irrigated by the end of the century.

Clearly the continuing spate of droughts, which have affected all the countries of Eastern Europe, has created a sense of urgency about tackling Yugoslav agriculture problems.

But it is the organisation of the agricultural system, which would tend to fascinate sociologists and anthropologists more than economic experts, which is now coming under close scrutiny by the authorities.

Under the present system, land is divided into the socialist and the private sectors. The former comprises large farms, ranging from 1,000 to 30,000 hectares, some even as large as 80,000 hectares. This sector accounts for 20 per cent of the total arable land.

Clearly the continuing spate of droughts, which have affected all the countries of Eastern Europe, has created a sense of urgency about tackling Yugoslav agriculture problems.

The small plots make up the remaining 80 per cent. But these plots which, until recently, were allowed to be no more than 10 hectares, are often no bigger than 3.5 hectares. But despite its small scale, the private sector produces more wheat, maize, livestock and milk than the socialist sector.

It is probably for this reason that, beginning in 1989, the authorities are increasing the maximum amount of land which can be held by individuals to 30 hectares.

Some of the republics, most notably Serbia, wanted the ceiling to be scrapped altogether, while others, for political and ideological reasons, wanted it to be held under 30 hectares. But if there was any consensus during the debate over this issue, it was a growing realisation that the private sector had enormous potential to be tapped.

That said, the problem with the pending land reform is its failure to take into account Yugoslavia's complicated land inheritance law. Yugoslavia is not a homogenous country. Deep-rooted and very different traditions prevail among the six Republics and two autonomous Provinces.

Land in the north, including Slovenia, parts of Croatia and the autonomous Province of Vojvodina with their rich, arable and often flat lands, was handed down under a primogeniture tradition – the first born inherit the land - a legacy of the Hapsburg Empire which ruled those areas of Yugoslavia until 1918. This system today still continues in parts of Slovenia.

In the southern republics of Macedonia, Montenegro and the Province of Kosovo, however, the inheritance law reflects peasant traditions and the legacy of the Turkish empire and Albanian law. Private plots, including the house, are divided equally between all members of the family. And when the families are large, as is the case with the Moslems among the ethnic Albanian population in Kosovo, the plots often amount to no more than a tiny patch of land.

Yet though the Yugoslav authorities are proposing to increase the land holdings ceiling to 30 hectares, ast the moment they are not considering revising, or unifying the law of inheritance.

"Yes, we need to change this law. But there are no concrete proposals to do so", says Mr Milan Prostran, a senior adviser on the Federal Committee of Agriculture. "I myself would like a step to be made in this direction. Something has to be done."

Another problem facing the authorities is the question of investments and subsidies. In 1986, 4.9 per cent of the total investment budget was allocated to the socialist sector of agriculture. That was reduced to 4.3 per cent in 1987 and Mr Prostran says it will be further decreased for 1988.

The reasons for this fall boil down to a shortage of funds. Mr Prostran says it is a question of priorities. The current investment plan is oriented towards extending the irrigation system and modernise existing food processing plants, an increasingly important branch of this economy. Mr Prostran and his colleagues would also like to see more funds made available for marketing and new farm machinery.

At the same time, the authorities remain committed to subsidising certain products. "The economic reforms, which aim to strengthen the role of the market will not exclude subsidies," says Mr Prostran. At the moment, total federal subsidies to agriculture; of which the republics and provinces contribute two-thirds, amount to US$500m.

These are allocated to fertilisers, plant production and seeds. Parallel to, and separate from, the federal funds, the republics and provinces also subsidise agricultural exports, in particular meat and livestock to the tune of about 30 per cent. Wine, sugar, edible oil and tobacco also receive subsidies ranging from 6 to 30 per cent.

But despite the subsidies, which Mr Prostran points out are far lower than in the countries of the European Community, he and other Yugoslav officials are stressing their commitment to the decision made earlier this year to free prices for 85 per cent of agricultural products.

"This is the first time for 40 years that we have lifted State controls off these prices," says Mr Prostran. "There are now only three products under state control: oil, flour and milk."

Government officials also stress that under the new joint venture legislation, there will be opportunities for foreign companies and individuals to invest in both the socialist and private sector. In the long term, this could greatly assist the food processing industry as well as marketing.

But in the meantime, Yugoslav officials simply wish for an end to the crippling economic crisis which leaves no sections of the economy untouched.

Judy Dempsey

Sight-seeing in Belgrade: next year's tourist bookings are up

TOURISM

Emphasis turns to quality

DR FRANC Horvat, the new Yugoslav Minister of Tourism, had reasons to be satisfied at his first press conference last month. This year, estimated foreign exchange earnings from tourism are $2bn, or about 20 per cent more than last year, if officially registered revenue alone is considered.

Inclusion of other tourism related revenue, like transport or purchases of goods by foreign visitors, boosts the total to $3.5bn. Both should be viewed against the total foreign exchange revenus from exports of goods and services of slightly more than $20bn this year.

Yugoslav authorities are determined to maximise foreign exchange earnings from tourism and are convinced that it can be done quickly.

Their optimism is based on growing interest in Yugoslavia in several important source countries,like the US, Italy, some Nordic countries, and Israel, with which there have been no diplomatic relations since 1967. In the first nine months of 1988, there were 19 per cent more overnight stays of Americans, 7 per cent of Italians, 23 per cent of Belgians, 14 per cent of Finns and 35 per cent of Israelis than in the same months of last year. Market signals point to improved bookings for next year from many source countries.

Internal developments in Yugoslavia, ethnic conflicts and industrial tensions which have been prominently displayed in newspapers and on television abroad last summer and autumn, have had little impact on the flow of tourists.

More discouraging to tourists are the chronic shortcomings in the the country's transport, communications and other infrastructure. Yugoslav roads are bottlenecks. In July and August traffic jams are frequent, especially in Istria and farther down along the coast, and at the toll collecting stations along the "TransYugoslavia". This is the motorway connecting Austria with Greece and Bulgaria, known as the brotherhood-unity motorway.

"TransYugoslava" is only half finished and may remain so for some time yet. Work has been speeded up, with the help of the European Investment Bank, and optimists hope to see it finished in time for the 1992 tourist season. Other motorways, especially those in Istria, agreed in the Osimo agreements with Italy a dozen years ago, may also be built by that time.

The Adriatic highway has been allocated lower priority but may be contracted out to foreigners under new foreign investment legislation.

Trunk railway lines need to be modernised to allow higher speeds. Telecommunications, also a bottleneck, are being improved, the pace depending on financial resources. New ferries will be bought to reduce waiting times for tourists visiting islands. Water supply also needs improvement in several regions like Istria.

For the next year, the emphasis will be on on improving the quality of service rather than extending the range of facilities. Nevertheless, for the new season there will be some 50,000 new beds, less than 5,000 of them in hotels, the rest in private rooms (some 26,000) and camps (14,000). Sports, recreational and other facilities, marinas and the like will be higher on the priority list for new investments in tourism.

Several developments hold out the promise of a boost for tourism. Individual Yugoslavs are to be allowed and encouraged to invest in tourist facilities, like boarding houses, small hotels, restaurants,camps, sports and entertainment facilities, and much more; while co-operatives, mixed enterprises and other forms of organisation are to be set up in competition with the socialised sector.

At the same time, foreigners will be able to form joint ventures in tourism with Yugoslavs, both from the socialised sector and private or co-operative sector, with no upper limit for the share of their equity (there will be a lower limit of 30 per cent), and to build wholly-owned hotels.

In joint ventures they will have much more say in the management, various tax benefits, and guaranteed capital and profit transfers. Individual foreigners will be able to buy time shares in apartments in tourist resorts.

Aleksander Lebl

FT LAW REPORTS

First estate agent's sale sign is deemed legal

PORTER v HONEY
House of Lords (Lord Keith of Kinkel, Lord Elwyn-Jones, *Lord Brandon of Oakbrook,* Lord Griffiths and Lord Goff of Chieveley): December 1 1988

AN ESTATE agent who erects the first and only "for sale" sign on a property is deemed to do so with local authority consent; and such deemed consent remains effective despite the subsequent unlawful erection of more signs with or without the original agent's knowledge.

The House of Lords so held when allowing an appeal by Mr AH Porter, a partner in the firm of Whitman Porter, estate agents, from the Divisional Court's decision that he was properly convicted by magistrates of the offence of displaying a sale board without local authority consent.

LORD GRIFFITHS said that Mr Porter was an estate agent who displayed a "for sale" board outside two properties in Richmond. In the case of each property those boards were the first to be displayed.

Each property-owner then instructed a second estate agent. Those two agenta erected their own boards on the properties without Mr Porter's knowledge or consent.

On February 23 1987 the local authority laid informations relating to each house against Mr Porter and against the other two agents, charging the offence of displaying an advertisement without local authority consent.

The other agents pleaded guilty. Mr Porter pleaded not guilty, bnt was found guilty by the magistrates. They imposed the same £200 fine in respect of each information as they did on the other two agents.

Mr Porter's appeal to the Divisional Court was dismissed (*[1988] 2 All ER 449]*).

On the present appeal Mr Porter argued that a first board erected with "deemed" consent continued to enjoy that consent, even after the erection of a second board erected without deemed consent.

That argument was not presented to the Divisional Court.

By section 63 of the Town and Country Planning Act 1971 the Secretary of State had power to make regulations "for restricting or regulating the display of advertisements".

The offence of which Mr Porter was convicted was created by section 109(2) of the Town and Country Planning Act 1971, which provided that if any person displayed an advertisement in contravention of the regulatioos made under section 63 he "shall be guilty of an offence". Section 109(3) provided that he was not guilty if he proved that the advertisement was displayed "without his knowledge or consent".

The problem lay in the Town and Country Planning (Cootrol of Advertisements) Regulations 1984 (SI 1984 No 421).

Regulation 6 provided that no advertisement might be displayed without express local authority or Secretary of State consent, or consent "deemed" to be granted. Paragraph (2) provided that "consent shall be deemed to be granted . . . in accordance with any provisions of these regulations whereby advertisements of that description may be displayed without express consent". No express consent was sought or given. The question was whether consent was to be "deemed" to have baan granted.

Regulation 14 specified the classes of advertisements which might be displayed without express consent. Class III, headed "certain advertisements of a temporary nature" included in paragraph (a) "advertisements relating to the sale . . . of the land on which they are displayed; limited in respect of each such sale . . . to one advertisement consisting of a board . . . "

Parliament did not wish a person to be convicted of an offence if an advertisement was displayed on his land "*without his knowledge* or consent"(see section 109(3)). It would therefore seem unlikely thet Parliament would have intended to create an offence of strict liability in relation to advertisements without giving an opportunity to the advertiser to escape liability by proving he was blameless – but such was the effect of the regulations as they had so far been construed.

The difficulty in construction was created by the fact that in regulation 14, Class III(a) limited the deemed consent in respect of each sale or letting to one advertisement.

The local authority argued that if there were two advertisements in respect of the same sale, there was no deemed consent in respect of either of them.

The regulations only made sense and did justice if they were read as continuing the deemed consent for the display of the first board, despite the unlawful display of subsequent boards. Therefore, as a matter of necessary construction, Class III (a) would read as if it contained the italicised words: "() Advertisements relating to the sale . . . of the land on which they are displayed; limited in respect of each such sale . . . to one advertisemeot *that being the first advertisement displayed when more than one is displayed consisting of a board . . .* "

In the vast majorities of cases it would be possible to establish which board was erected first by a aimple enquiry from tha property owners, the agent or the records of the company that erected the boards.

The local authority placed reliance on the wording of the substituted definition of Class III(a) contained in the Town and Country Planning (Control of Advertisements) (Amendment No 2) Regulations 1987, which came into force on October 28 1988.

The new definition of Class III(a) now inclnded in paragraph (i) an advertisement relating to the sale of the land on which it was displayed, consisting of a single board, "(ii) . . . Provided that nothing in paragraph (i) . . . shall permit more than one advertisement to be displayed at any one time . . . "

The local anthority submitted that whatever view might be taken of the 1984 Regulations, the amended Regulations now made it plain that permission was limited to one advertisement, and therefore a deemed permission for the first advertisement could not survive once a second advertisement was displayed.

From that it was argued that Parliament had now made it plain that it was prepared in the interests of enforcing the legislation to impose a harsh and possibly unjust result on the first advertiser, and the 1984 Regulations should therefore be construed to produce the same result.

That construction of the 1987 Regulations was not accepted. The explanatory note to the amendment indicated that it was introduced to scotch an argument that the regulations permitted each advertiser to have one board rather than limiting permission to one board for each sale or letting. It was now clear that the deemed consent was limited to one board at any time.

The amended Regulations were read as subject to a similar implication, so that the first advertisement attracted the deemed consent and was not lost by the unlawful erection of subsequent sale boards.

The courts should be slow to impute to Parliament so harsh an intention as to impose criminal liability on a citizen acting lawfully because another citizen, over whom he had no control, acted unlawfully.

Delegated legislation did not receive the scrutiny of primary legislation. If in the interests of administrative convenience such an apparently unjust rule was to be introduced, it should be in the clearest possible language so that the purport of the legislation could be readily recognised, and the need for such a measure could be considered before it was approved.

In the absence of such clear language it was not possible to impute to the Secretary of State or Parliament the intention that an estate agent in Mr Porter's positioo should be guilty of a criminal offence.

The appeal was allowed.

Their Lordships egreed.

For Mr Porter: Frederic Reynold QC and TE Bergin (Axelrods, Richmond).

For the local authority: David Lamming (Borough Solicitor).

Rachel Davies
Barrister

TECHNOLOGY

Top company information

INFORMATION about Europe's top 25,000 companies will be available in January on CD-ROM (Compact Disc read only memory) from Clarinet Business Publishing (CBP) of Camberley in the UK. Data will be supplied for an annual subscription of £16,000 which includes a personal computer with built-in CD-ROM drive and a monthly updated disc.

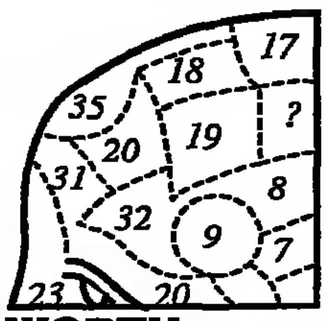
The product is the result of an agreement between Clarinet, Extel Financial, and ICC Information Group, both of London. CBP, a major European optical disc software house, will first combine the Extel Exstat information on 4,000 top public companies with the ICC data on the top 21,000 private companies. Historical data, market research results and City analytical reports will be added at a later stage.

CBP specialises in compressing business and financial data electronically on to CD-ROM discs and providing high speed retrieval software that will integrate information from sources such as Extel and ICC.

Credit-card size medical records

DREXLER TECHNOLOGY, the Californian laser recording card company, has scored its first success in the UK with a trial conducted by British Telecom at an unnamed London hospital.

The cards, on which data is recorded optically in rows and columns as opposed to the circles of the more familiar optical disc, are about the size of a credit card. But they can hold up to 800 pages of text, or eight digitally recorded frames of a TV picture. They allow personal medical information to be carried by the patient in top pocket or handbag so that doctors can make a rapid and accurate assessment.



WORTH WATCHING

Edited by Geoffrey Charlish

Other medical trials were recently started at the Baylor Medical School in Houston, Texas, and also in Sardinia by Olivetti, the Italian electronics group. The Swiss pharmaceuticals body, Ofac, is arranging similar tests in France, Switzerland and The Netherlands.

The unnamed London hospital is conducting a controlled trial of about 100 pregnant women, who will bring their card each time they visit the antenatal clinic. The doctor or midwife simply plugs the card into a reader and reads the woman's records on a personal computer screen. Any new information can be added to that on the card via the keyboard. The card, which is not erasible, will be compared with conventional paper records.

British Telecom have called the Drexler LaserCard the RecallCard. BT is one of 26 Drexler licensees, which include most major Japanese electronics companies and many in the US and Europe. The reader in use in the London trial is made by Nippon Conlux, a subsidiary of Nippon Electric Company (NEC). Readers are also available from Olympus Optical and Omron, both of Japan.

The wrist-watch paging system

AMERICAN Telephone and Electronics Corporation (AT&E) of San Francisco, which has been working with Plessey in the UK and Seiko of Japan says it has completed a working model of its "Receptor" — a combined wrist-watch and paging unit. Plessey has developed a complete frequency-agile radio on a chip for the project.

This pager-watch is part of the company's plan to introduce a paging system that would allow the Receptor to be used anywhere in the world. Paging signals will be sent from existing broadcast transmitters. AT&E says it is now completing the network in the US and is "working with other entities in other countries."

A caller will use any telephone to connect with the nearest computerised clearing house and leave a message. The clearing house will contact the appropriate transmitters to send out paging signals (at the same time as the broadcast programs). The called party's Receptor will then show a short message ("call the office" for example).

Another feature is that each Receptor has precise moments at which it can receive, and remains synchronised with "time slots" in the transmitters. Each Receptor's slot repeats at intervals and it switches itself on at precisely the right time, receives any message addressed to it, and switches off. Since it is consuming power for such short periods, its tiny watch battery will last for up to three years. The company says the system can accommodate over 2bn Receptors.

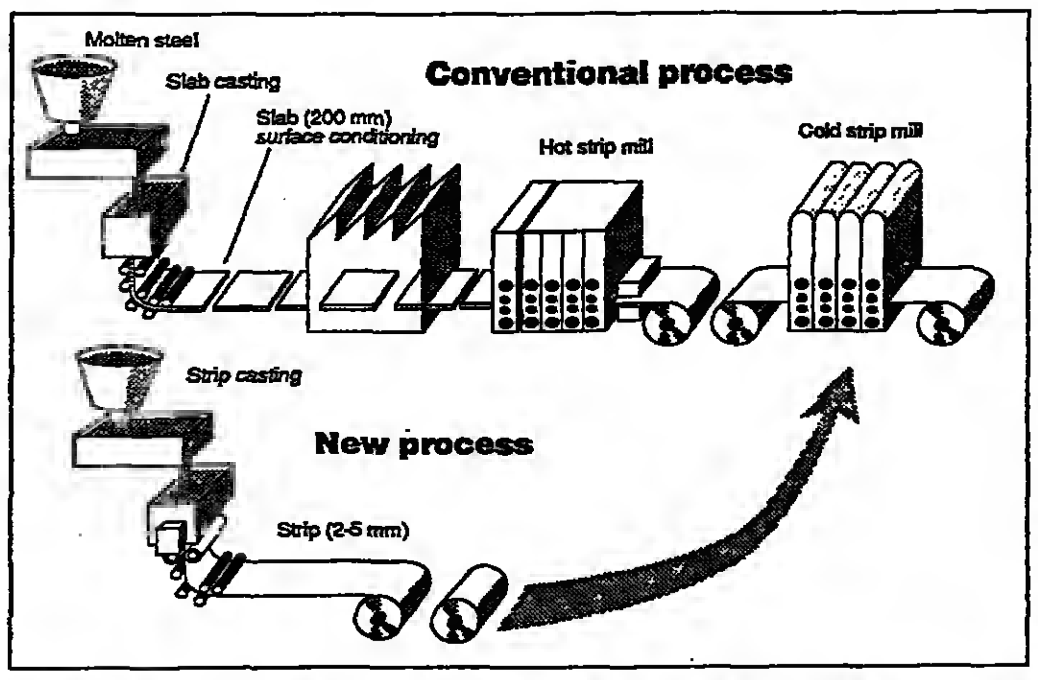
CONTACTS: Clarinet: UK, 0276 600398. Drexler: US, (415) 969 7277; UK, 021 643 3242. AT&E: US, (415) 433 0430.

The new age of steel production

British Steel, the shares of which were traded for the first time yesterday, is possibly the lowest-cost steel maker in the world — but it is not the most efficient.

In advancing the technology of steel-making and operating plant with minimum manning levels, it is Japan, followed by South Korea, which lead the world.

Here ROY GARNER looks at the changes which are being made in the Japanese steel industry.



Japanese steelmakers are continuing to emphasise technological improvement as the route to consolidating the remarkable recovery in their industry. During the past year, the big five integrated producers all turned in a profit, after suffering combined operating losses of Y468bn (£2.1bn) in the year to March 1987.

Throughout the Japanese steel industry, manufacturers' primary goal is the streamlining and refining of steel-making processes. Hand-in-hand with this goes the development of ever closer co-operative links with their customers as demand grows for high-quality, customised steel products and items prodnced in small batches. This is especially true of car makers, which are among the steel industry's biggest customers.

Increased technological sophistication and production flexibility are also regarded as ways in which to combat the challenge from rapidly modernising steel makers in the newly industrialised countries.

Takuo Kohno, of Nippon Steel Corporation's (NSC) central research and development bureau, says that over the past five years particular progress has been seen in the introduction of:

● Continuous casting/direct rolling (CCDR). Steel has traditionally been cooled and then re-heated between the casting and rolling stages; CCDR cuts out this step.

● Continuous annealing and pickling lines (CAPL). Annealing is the heat treatment that tempers or toughens the steel and pickling is an acid bath method of removing surface scale to give a smooth finish.

● Cold tandem milling for rolling and shaping. This too is a continuous process. It includes up to half a dozen rollers operating in tandem, whereas in the past there was one large rolling device and the sheet steel was moved backwards and forwards. Cold tandem milling can be combined with CAPL.

Annealing used to involve the heating and controlled cooling of batches of steel coil in a process which took over a week and consumed hnge amounts of energy. Now, steel in strip form can be fully processed in a few hours on the way to coiling.

NSC attributes the successful introduction of CCDR to technologies which facilitate high-speed, defect-free casting, optimise the cooling pattern, improve heat retention and enable schedule-free rolling, whereby sheets can be rolled to different thicknesses on the same line. "By improvements in these areas, we have cut the length of the production process, reduced the workforce and lowered overall energy consumption," says Kohno.

He acknowledges, however, that the business upturn has made it easier to introduce these modernisations. "R&D funds are more readily available when business is good. It is easier to add technology to new plants at a time of production expansion.

"When plant is shrinking in size this is difficult. I'm very impressed by the British Steel Corporation which seemed to manage both at the same time," he adds.

In the Japanese steel industry as a whole, NSC estimates that energy savings of about 1m kilocalories/ton of steel have been achieved over the past decade, but a considerable reduction is still being sought on the present average of 4m kcal of energy needed to produce one ton of steel.

Linking the many different processes involved in steel-making is also seen as the way forward at Kobe Steel, another of Japan's leading steel companies. The proportion of steel production which is part of the continnous casting process has now reached 82.3 per cent. This figure, called the continuous casting (CC) ratio, is np from an average of 77.8 per cent one year ago. A CC ratio of more than 90 per cent is the target within the next five years.

Yamato Ishizaki, of Kobe Steel's steel sheet technology department, says that improvements in steel quality are now being sought using the following new techniques:

● Electro-magnetic stirring. At the slab-casting stage, electro-magnetic force is used to agitate the steel. This helps to eliminate the grouping of impnrities, such as carbon phosphate, during moulding and solidification and improves the steel's bloom surface and internal qualities.

● De-gassing. This involves a vacuum process to eliminate non-metallic content and harmful gases from the molten steel.

● Ladle refining. The chemical composition of the molten steel is adjusted while it is in the ladle. This also lowers the oxygen content of the molten steel.

● Hot-rolling crown/shape control mill. This mill features sliding rollers which control the overall cross-section of hot-rolled steel sheets, ensuring that customer requirements on thickness and shape are accurately met.

● Edge-heating (of rough bars). Here an induction heater is used to counter the tendency of steel sheet to lose heat most quickly at its edges, allowing grain size differences to develop.

Ishizaki says that the special requirements of the car industry have strongly influenced the company's modernisation effort. "Car makers do a lot of steel working, so malleability is important. Hot-coil, thin-gauge steel is much in demand. It is used, for example, in car chassis and conduit pipes. Our minimum steel gauge, on a commercial basis, has now been reduced from 1.6 mm to 1.2 mm in response to this requirement."

Ichiro Iwami, manager of Kobe Steel's steel wire rod technology department, agrees that much of the company's success is linked to its close ties with customers. "Our competitive edge is achieved by meeting the specialised requirements of our customers. The trend is now towards the value-added end of the market."

An important part of this co-operation comes in the form of joint research projects, primarily involving information exchange between steel companies and car manufacturers.

One of the most important products arising from this direct co-operation is customised steel sheeting. Using new electro-galvanising (coating with zinc by electrolysis), hot-dipped galvanising and laser-treatment techniques, sheet steel for specialised applications is produced. These can feature high levels of resistance to corrosion, oil or impact; the ability to absorb vibration; and smoothness.

An example of these new products is Kobe's Damplay composite steel sheet. This is designed to absorb shock or vibration through a sandwich of adhesive resin between two metal sheets. It is also highly ductile and has a strength of 100 kg per sq mm. Heavy demand for Damplay has come from industrial machinery, electronics and automobile makers. In April 1988, Kobe brought a 1000 ton/month capacity Damplay line into operation at a cost of about Y800m.

Despite the promising outlook in steel, the industry is also investing in entirely new areas of business to further guarantee future stability.

At NSC, about 30 per cent of R&D spending is being channelled into non-steel areas. And whereas 700 of NSC's 1,000 researchers are now working on steel technologies, this figure will fall to 550 out of the 1,000 by 1990. But Kohno insists that the commitment to improving steel-making will continue.

"The ratio of steel R&D expenditure is diminishing, but we are being very cautious to ensure that we remain competitive with other steel firms."

Looking to the future, Kohno predicts that Japan will continue to face disadvantages compared with its competitors in terms of labour, land and plant costs.

In response he expects the country to advance into new steel-making techniques. These would probably include the introduction of smelting reduction processes (which use iron pellets for steel making, so obviating the need for a blast furnace), strip casting (cutting out the process of making slab) and rheocasting (casting molten steel in a semi-plastic state). All of these would allow an even greater degree of control over steel product quality.

MANAGEMENT: Small Business

Secondment

Getting a feel for the complete process

Charles Batchelor on civil servants in small business

Ask most small businessmen how they like to conduct their dealings with government and the answer is likely to be "as infrequently as possible." For the harassed owner/manager, government usually means regulation, red tape and the taxman probing into his affairs.

So negatively disposed are many small businessman to authority that government grants frequently go unused and government training schemes treated with suspicion.

Now, however, despite these deeply entrenched attitudes, more and more managers are inviting civil servants into their businesses, giving them a free run of their operations for anything from a week to three years – and enjoying the experience.

These companies are benefiting from increasing enthusiasm in Whitehall for secondment programmes, which send civil servants out into the world of commerce and bring businesspeople into government. Civil servants have traditionally been seconded to large companies and to community or charitable organisations (some of which support small businesses) but a small but growing number is now working directly with small companies.

The companies benefit from the skills, contacts and the fresh approach of the secondee while the civil servants broaden their experience, see government from the point of view of the private sector and, often, boost not only their promotion chances, but also their self confidence. In recent years, they say, this has been eroded by the perceived attitudes of the private sector.

Big business, which is easier to identify and can more easily accommodate a secondee, continues to attract the larger numbers but small business secondments are increasing as the overall numbers rise. In 1987, 278 civil servants were on long-term secondment (of three months or more) with industry and commerce – more than four times the number of a decade earlier.

One of these is Frank Coaker, a 42-year old senior executive officer who worked for 10 years in Customs and Excise and another 10 years in the Department of Trade and Industry before being seconded to INDAB Management Services. INDAB is a Manchester-based private consultancy which helps companies apply for the bewildering range of national, regional and European support schemes.

Coaker had headed the grants section of the DTI's Liverpool office, dealing with applications for regional selective assistance before joining INDAB. He is now approaching the end of his three-year spell spent on the opposite side of the desk arguing applicants' claims for similar grants.

INDAB, with just five professional staff of its own, had been impressed with Coaker's work at the DTI and applied for him to be seconded to the company. Tony Budd, an INDAB director, says Coaker has brought invaluable skills and knowledge to the company and he wants him to stay on permanently when the secondment ends.

If Coaker does rejoin the DTI, however, there may be a benefit for small companies generally from his contact with the world of commerce.

"In government circles everything tends to get put into convenient boxes," he says. "The official idea is that companies will fit into a particular category and that they are there to fill in forms. After this secondment I will have more respect for the people I deal with. If I ever have an influence on the way the rules are formed I think I would make a lot of changes."

One important way in which a small business like INDAB differs from a large government department is in its informality and flexibility. "Work in a government office is more clear cut," says Coaker.

Coaker went to INDAB on a lengthy assignment and with experience which could be of specific use. But most secondments to the small business sector take the form of short-term assignments of people with general management skills.

The Training Agency (formerly the Manpower Services Commission) has seconded no fewer than 1,600 members of staff to outside organisations over the past three years under its Professional Development Programme; some have gone to small companies.

"The benefit of working for a small company is that you can get a feel for the complete process in a relatively short time," says Barrie Moreton, human resources development manager in the Training Agency's north west region. "It takes longer to absorb this in a big company; in the smaller businesses you can bring your experience into play much faster."

Moreton spent a short-term secondment with Metal Closures Rosslite, a manufacturer of expanded polystyrene products based in Formby, Lancashire, with some 80 employees and £2.5m of sales. Rosslite, (part of the publicly quoted Metal Closures group), asked Moreton to recommend improvements to its control systems to reduce waste and improve the way it recorded the movement of materials through the factory.

"It was good to have someone come in completely 'cold' – if you are close to the problem you often don't see it," says Peter Hart, commercial director.

For his part Moreton says the experience helped him to tailor his training programmes to the needs of companies like Rosslite while, more generally, it boosted his self confidence. "If you work in the civil service, you tend to undervalue your own skills," he says.

"The biggest benefit for civil servants is the boost to their self-confidence," agrees Linda Broadhead, staff development manager in the Department of Employment's Newcastle office. "They can demonstrate just how professional and competent they are."

Frank Coaker (right): brought invaluable skills to Tony Budd's company

Andrea Molyneux, who manages a £4.5m training budget for the Training Agency in Bolton, says secondment taught her that many of the problems of small manufacturing businesses are similar to those of a clerical organisation like the agency.

Molyneux was assigned to Fothergill Engineered Fabrics, a £13m turnover subsidiary of the Courtaulds textiles group, to advise on how it could improve communication with its 250-strong workforce spread over three factory sites on the outskirts of Rochdale, Lancashire.

"It had taken the management a long time to realise that the staff might be interested in what happened to their products after they had left the factory," says Molyneux. "They had a problem of motivation and morale."

As a result of her recommendations the Fothergill management introduced a system of notice boards for keeping staff informed and arranged trips to customers' factories so they could see what became of the high-tech fabrics they were producing. She also suggested improving the training for the shop floor workers nominated to run the company's team briefing scheme.

Many companies might have called in a consultant to solve a problem like this but Alan Lawson, Fothergill's manufacturing and technical director, says Molyneux brought a fresh approach because she did not have an industrial or consultancy background.

"Consultants give you professional answers when often what you require in industry are people solutions," he adds. "They also think of expensive solutions."

Civil service secondees not only bring a variety of management skills which are often in very short supply in the smaller company – they can also plug the small business into government support schemes for which they may be eligible and even, occasionally, borrow equipment which is not available in the organisation to which they have been seconded.

Most secondees welcome the freedom they have to take their own decisions within a smaller organisation. George Brash, a Department of Employment secondee to Project North East, a Newcastle-upon-Tyne-based enterprise agency, says: "You decide yourself what should be done. That is a unique experience for a civil servant."

But not all civil servants adapt painlessly to working in a small organisation with only limited resources. One enterprise agency manager recalls a secondee who was on the verge of spending a sizeable sum of money on the grounds that it was in the budget. He was stopped just in time and told that, unlike the civil service, the agency did not have to return funds it had not managed to spend.

At INDAB Management Services Tony Budd says the one area where Frank Coaker did have to adapt was in realising that his and the company's time were money. Coaker had to learn to estimate how long a project would take and negotiate the fee with the client.

Essential for the success of a secondment is a clear programme of what has to be achieved, warns Andy Powell, head of secondment programmes at the Action Resource Centre, which runs business and community programmes. It must be discussed in advance by the seconding organisation, the secondee and the business to which he or she is to be assigned. Done well secondment can benefit all three, he says.

"There is a stereotyped image of the civil servant which a secondment can help overcome," says Frank Coaker. Government systems are actually very well tested, he feels, "whereas companies are often badly run because their systems don't work well."

"We tend to underestimate the organisational abilities of civil servants," acknowledges Fothergill's Alan Lawson. "But they have a lot to offer. Industry would benefit if schemes of this kind were expanded."

Growing faster with maturity

Charles Batchelor examines the high-flyers

The popular image of the fast growing company is of a young concern engaged in the high technology area. In fact, both these preconceptions are incorrect, according to David Birch, the US academic and small business consultant.

The fastest growing companies – measured in terms of numbers of new jobs created – are more likely to be well-established and in the field of general purpose, low-tech manufacturing, Birch writes in Inc*, a US monthly magazine for growing companies. It is these companies which grow by taking on new management, developing new techniques or taking advantage of changes in their market place.

Among companies four years old or less nearly 10 per cent grew rapidly but fast growers among companies which had been established for between five and 39 years represented only around 5 or 6 per cent. Only when companies pass their fortieth birthday does the percentage of fast growers start to rise again.

Between 40 and 49 years 6.5 per cent are rapid growers, rising to 9.4 per cent of those aged 50-75 years and 13.1 per cent of those of 75 or more.

This concentration of rapid growth among older companies is not, as one might suspect, due to the fact that they have become large companies over time and can build on accumulated growth. More than two-thirds of fast growth companies aged 10 years or more are still small – employing fewer than 100 people – when they start on their rapid growth phase.

Older companies may be more capable of growth because they have accumulated the cash flow, wisdom and experience to recognise and take advantage of opportunity when it presents itself, Birch suggests.

Nor is it true that fast growth is concentrated among high technology businesses or – the second most popular preconception – eating and drinking establishments. Both sectors provide only a small percentage of fast growing companies – 2.1 and 3.2 per cent respectively. Non-high technology manufacturing companies on the other hand account for 15.8 per cent of fast growers aged 10 years or more.

Companies can grow rapidly at any stage in their histories, Birch says. But older companies are not only more likely to show rapid growth, their lengthy experience of the business world means they are also less likely to fail.

**38 Commercial Wharf, Boston, MA 02110. Tel (617) 227 4700. 12 issues $45 (outside US and Canada).*

In brief...

■ A seven-day business enterprise programme of training for self-employment and running a small business will be held in Colchester, Essex, starting on December 12. The programme, which is free, comprises one one-day and three two-day sessions spread over five weeks.

Contact Business + Commerce + Industry Fellowship, Lawley House, Butt Road, Colchester CO3 3DG. Tel 0206 561700.

■ A two-day workshop on Time, Stress and Crisis Management for small business owner/managers will be held on Monday and Tuesday 23 to 24 January by the London Enterprise Agency. The workshop includes practical exercises on the causes and meanings of stress and group participation using individuals' worksheets. It costs £70.

Contact LEntA, 4 Snow Hill, London EC1A 2BS. Tel-01 236 3000.

■ The politician who has done most to help small businesses is to be honoured under a new award scheme announced by the National Federation of Self Employed and Small Businesses and Tollit & Harvey, a stationery company. The "Guildhall" Helping Hand Awards will also go to the individual or organisation which has done most to help small firms.

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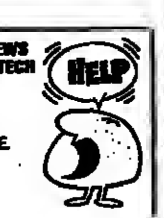

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Alkan Festival

PURCELL ROOM

Yes, there *are* enough pieces by the composer-pianist Charles-Valentin Alkan to make a "festival" and if the centenary of his birth went under-remarked in 1913, interest in his curious music has grown enough to ensure that the present centenary of his death should be celebrated properly. Most of the music is for keyboard, but not only for the familiar piano. There are many organ works (championed these days by Kevin Bowyer), and pieces for the extinct "pedal-piano," which like the organ had note-pedals for the feet – naturally tempting for a composer hellbent upon filling every available space with notes.

The two recitals I heard seemed to confirm a long-standing impression: that though nearly everything Alkan wrote is at least "interesting," he rose to more than that chiefly when he was at his most madly over-extended and intricate. His smaller pieces (including some brilliant encore-numbers) are variously quirky, picturesque or saturnine, but compared to his friend Chopin's they remain rather dry stuff, unlikely to bloom with further acquaintance. Large-scale challenges brought out his best: the fine pedal-piano Impromptu – really a elaborately constructed fantasy – on Luther's "Ein feste Burg," for example, which we heard on Wednesday in Roger Smalley's two-piano version.

The giant *Sonate de concert* for cello and piano again seemed a major and uncommonly tuneful contribution to the repertoire, played by Christopher Bunting and the faithful Alkan exponent Ronald Smith (not on his best form here: perhaps he was too anxious not to let his teeming piano part swamp the cello). It was amusing to hear – once – the "Funeral March on the death of a parrot," with chorus and squawking double-reed quartet.

On Friday the pianist John Lenehan applied his bright touch, clean fingers and scrupulous pedal-technique to the manically glittering *Sonatine* and several shorter pieces. I was quite persuaded that the vignettes would reward further exploration; and Lenehan made two of the op. 35 Etudes the dazzling *tours de force* they must be. One missed, nevertheless, the baleful flamboyance which is Alkan's unique and peculiar trait; Lenehan's musical manners are too nice for that.

David Murray

The Beethoven Odyssey

FESTIVAL HALL

Cultural packaging is commonplace these days – the South Bank Centre and, if only in sparring response, the Barbican Centre regularly go in for complete compact surveys of the work of a composer or a movement or whatever. On the South Bank we have grown accustomed to every so often having an "Experience" – a Mozart Experience, or a Berlioz Experience, in which Mr Roger Norrington restores the works of these composers to their true colours and explains how he has done it. They are valuable musical workshops which attract an eager public and are perhaps the most honourable example of current packaging.

What the South Bank staged on Sunday was something else. All nine Beethoven symphonies, in order, played by "no fewer than three" of the London orchestras (Royal Philharmonic, London Symphony and Philharmonia), conducted by Lorin Maazel, between 10am and 10.30 pm. Not a workshop on the symphonies in any way; not an exercise in authenticity; but a largely unaccountable phenomenon – simply all the symphonies at once.

The musician in me violently rebels at the prospect of plodding through the Beethoven symphonies in this fashion, just as the *littérateur* in me would kick against being obliged to read Proust in a fortnight. Unlike Mahler's, Beethoven's nine symphonies are not parts of a whole, they are nine individual wholes. Nothing is served by rolling them up into a great ball, except a perverse sort of self-congratulation on the part the members of the audience athletic enough to stay the course.

Maxwell Communications put up the money for this venture, provided a glossy programme-book, and philanthropically created the option of sitting through the complete symphonies for less (£10) than the price of a compact disc. (You could also do it for £50.) And a good many people, it has to be said, responded: the house was on average three-quarters full. For my part, I would rather have sat through the seven symphonies of Prokofiev or Nielsen's six: at least that would have been an education.

It is true that concerts could be long in Beethoven's own day – one thinks, of course, of the famous Beethoven benefit in 1808 at the Theater an der Wien when both the fifth and sixth symphonies were premièred and the fourth piano concerto, *Choral Fantasia*, aria "Ah, Perfido" and parts of the Mass in C were thrown in as well. But Beethoven's music was new then whereas it easily sounds stale now. Take Maazel's account (with the LSO) of the fifth symphony, for example: burly, over-hectic, under-rehearsed, at once coarse and affected in style. It is extraordinary to *think* that anyone would prefer this sort of thing to daylight.

Paul Driver

Raymond Chandler Award

The literary estate of the author of *Farewell, My Lovely* and the Fulbright Commission have joined in establishing a Raymond Chandler Award. It will be open to writers of detective and spy fiction under the age of 35 in both the UK and the USA to enable them to study and research in each others countries.

The benefits of the award will include travel money and a grant of £10,000. The University of California at Los Angeles will make the Chandler papers available to the British holder. The majority of the Chandler papers in the UK are in the Bodleian Library and the American recipient will be based at Oxford University.

Full details from: The Fulbright Commission, 6 Porter Street, London W1M 2HR.

Gentian, 1982: watercolour on vellum

Said with flowers

William Packer reviews the work of Rory McEwen on show at the Serpentine Gallery

The retrospective exhibition of Botanical Paintings by the late Rory McEwen, now at the Serpentine Gallery in Kensington Gardens (until January 8), was organised by the Royal Botanic Garden in Edinburgh, where it was first shown, and comes to London by way of Aberdeen.

The Scottish provenance is appropriate rather than vital to the work, for McEwen was always the Scot but never in any narrowing or exclusive sense. While he was an artist in whom his country may now take a legitimate pride, a rose anywhere, as we know, is a rose is a rose.

He died six years ago at the age of 50, at which time he was still known more for the variety of his talents than for the consistency and substance of his achievement, which makes this lovely and intriguing exhibition the more welcome. For McEwen suffered from that all-too familiar British social trait, by which the gifted apparent amateur is loyally celebrated with an unwitting irony, while the essential seriousness of his gift is disregarded. By no means all his many friends and admirers, who so clearly were more than happy to buy his flowers and plants, would necessarily be able or care to acknowledge their compatibility with his other, more openly modernist and contemporary preoccupations.

On the other hand, as charm disguises or excuses all to the already sympathetic, so it can also arouse in less generous minds a somewhat more critical spirit. To paint flowers at all in McEwen's time was hardly likely to add to any reputation for significant modernism, and McEwen was not alone among his peers in thus denting what we might call his 'rate-card. To identify himself, as he did so positively, with the great tradition of botanical illustration, consciously looking back to such artists as Ehret, Robert and Redonte, was merely to step beyond the foolish to the perverse.

Perhaps we are wiser now. An artist's life's work taken as a whole, no matter what shifts and changes and apparent inconsistencies there might be in its course, will at last declare its underlying unity and integrity. The hand and eye may grow more subtle with experience, but the informing sensibility will remain much the same.

Seeing McEwen's botanical preoccupation sustained over some 30 years makes one curious to see it set into the broader context of his other formal interests and experiments. However, that consistent variety remains innate in what we are shown – a quality either to be felt intuitively, or deduced from the structures of the composition and the manner of its execution. It is here, beneath the surface reference, that we discover the abstract artist – in the play of colour, in the elegant rigour of the drawing and the disposition of image against ground on the pristine vellum that he favoured, form against space. And here too is the conceptualist, with his rows of objects laid out as specimens on a tray, or tilted by the time and place where they were found.

But it is perhaps the artist as romantic who overrides them all, his work rich in seasonal, autobiographical and metaphysical suggestion. He takes home leaves picked up on Agar's Plough, in the Datchet Road, in Limerston Street or wherever, to paint them as they curl and change. The images are not given but spring unbidden to mind from the anthology – "Brightness falls from the air; now sleeps the crimson petal, now the white; the grass withereth, the flower fadeth." How sad it is. All art aspires to a condition of melancholy even at its most celebratory, as the particular attention fixes as much upon the transience of the moment itself as upon the phenomenal experience it affords. "Life might last; we can but try."

McEwen first painted flowers as a child at home. This interest was confirmed and developed at Eton under the eye of the Drawing Master, Wilfred Blunt, whose special study it was. "The day I got out of the Army," McEwen wrote, in a piece published here in the catalogue, "I sat down and painted a rose, and I found to my surprise that my hand had unknowingly educated itself, that I had developed an appetite, could even see a short way ahead . . . I paint flowers as a way of getting as close as possible to what I perceive as the truth, my truth of the time in which I live. This mostly means looking, looking and thinking; then painting, and then thinking how much better the painting could be. I have made many journeys, had many blind adventures, worked in many materials, spoken and listened to many people, sometimes for years seeming to make no progress. Knowledge comes slowly, in many disguises, and can be demonstrated but not explained."

I had worked with Rory McEwen on an exhibition a year or two before his death. I came to admire his work, and though his loss was cruel in coming so soon, it would be foolish to claim him as a great artist unacknowledged. But in speaking thus of his own art in terms of the modest, inevitable search after knowledge and truth, he reveals himself as a true artist. This exhibition, so narrow in scope as it might at first appear, offers the demonstration of which he spoke.

★

A small group of the magnificent, haunted landscape photographs of Thomas Joshua Cooper, which he calls "Dreaming the Gokstadt: northern lands and islands" completes the Serpentine display. In this title he has taken the name of an ancient Viking ship to characterise his own romantic, voyage to Iceland, Orkney and among the farthest Hebrides. These images that are its record are timeless and ambiguous beyond comprehension.

Messiaen at 80

SOUTH BANK

His 80th birthday falls on December 10, but the South Bank is filled for the next fortnight with the sounds of the celebrations for Olivier Messiaen. It's a lavish spread, and evidently far more generous than the French musical establishment has put together for its most distinguished living representative. The tributes began on Thursday, with a triple-decked concert shared by the Nash Ensemble and Madame Messiaen, the pianist Yvonne Loriod.

Loriod occupied the central panel. She crowned her recital with three of the *Vingt Regards sur l'Enfant-Jésus*, but had earlier concentrated upon the most recent piano pieces – *La Fauvette des jardins* of 1973 and the *Petites Esquisses d'oiseaux* completed in 1985 and being heard in London for the first time.

We have become used to hearing Messiaen's piano music coolly and analytically interpreted, and Loriod's rhapsodical approach, warm and romantic, with accuracy taking second place to intensity now seems unexpected and almost unidiomatic, despite its air of authority.

Her view of *La Fauvette* emphasised its moments of functional harmony, conjuring a kind of rhetorical Lisztian bravura at the expense of structural clarity; the forms of Messiaen's bird pieces are rackety enough at the best of times and need a surer hand than this.

The little set of *Esquisses*, however, presents no such problems. The six miniatures dispense with the musical landscaping of the larger works and present the birdsongs – all of common French species – relatively straight. It is a very slight set, almost austere – not by any means major Messiaen.

The Nash Ensemble ended the evening with the *Quartet for the End of Time*, but their first appearance had included the first performance of a commission from Tristan Murail, one of the most distinctive of the younger generation of Messiaen pupils. *Vues aériennes* for horn, violin, cello and piano is a 13-minute essay in aural transformation and perspective, related to the cycle of changing light through the day. As always with Murail the sounds are exquisitely imagined, but the final effect in this case is strangely insubstantial – such a scheme needs to operate within a larger timeframe than he allows himself.

★

The BBC's contribution to the birthday celebrations is five concerts divided between the Festival Hall and Westminster Cathedral, in which David Atherton conducts the BBC Symphony Orchestra in a selection of orchestral and choral works juxtaposed with those of Berlioz. It is an unexpected conjunction, but an appetising one.

It took a while, however, for anything like an air of festivity to settle upon Saturday's opening in the Festival Hall. The BBCSO's playing was efficient rather than luxuriant in Messiaen's *L'Ascension* – that series of meditations, and the final one for strings alone in particular, needs a surreal combination of sharp-imaged intensity and cloying sweetness, and Atherton could not quite contrive such an atmosphere. And for much of *Les Nuits d'été* and *Harold in Italy* too the accompaniments lacked immediacy. The song cycle was shared between three singers, Felicity Palmer, Philip Langridge and Stephen Roberts, and perhaps for that reason failed to build naturally. Mr *Langridge*, given three songs and therefore the best opportunity to settle into his singing, was the most effective of the trio. Though his "Villanelle" had been dragged down by dull-edged woodwind he finally produced a spellbinding "Au cimetière" in which every nuance and colour was instinctively registered. In the symphony, Nobuko Imai was the soloist and her familiar grace and generous tone were constant pleasures, though they could not by themselves rouse the performance.

★

On Sunday, the birdsongs that had embroidered Thursday's recital took centre stage, when in the Queen Elizabeth Hall five pianists, all of them Loriod pupils, presented the *whole* of Messiaen's *Catalogue d'oiseaux*. Its seven books, comprising 13 pieces, play for roughly two and a half hours, and can be a daunting prospect. Yet though a disappointingly small audience took up the challenge, it proved immensely satisfying, not only for the quality of the playing, which was astonishingly high, but also for the close attention it forced upon Messiaen's approach to birds. Immaculate replication of the natural sounds was *never his point*, though anyone who knows, say, the song of the Golden Oriole or the Woodlark will certainly recognise Messiaen's versions, even though they may find his warblers harder to disentangle. For human listeners they are transformed into songs of eternity, to be taken strictly on their own terms, neither mimetic nor stylised. So the *Catalogue* becomes yet another sequence of meditations, as reverential in their way as *L'Ascension*; that quality emerged most potently in this integral performance. Among the pianistic quintet three performers stood out – Véronique Pelissaro, who played the first book with dashing brilliance, Roger Muraro, whose account of the massive "Rousserolle Effarvatte" was hugely authoritative, and Suzanne Cheetham, gently poetic and evocative in the night pieces of the third book. A memorable, and in the composer's frail presence, a moving occasion.

Andrew Clements

Shostakovich

BARBICAN HALL

The "Leningrad" Symphony of Shostakovich has had some illustrious detractors. Only two weeks ago the Bartók festival was reminding us of the special loathing that one contemporary composer reserved for *its notorious march sequence* and the sarcastic lampooning that he gave it.

Now the Shostakovich series has itself reached that same symphony, the Seventh. In the division of duties allocated by the festival this symphony fell to the London Symphony Orchestra under Mstislav Rostropovich on Thursday and it says a lot about this conductor's attitude to Shostakovich, and indeed about his musicianship in general, that the famed stretch of "non-music" should in his hands have been so little convincing.

The cool and objective stance, which by tradition has informed the most noted Shostakovich interpreters, is not Rostropovich's way at all. Faced with a quarter of an hour of one rhythm being repeated over and over, he still searches out little pockets of expression wherever he can and it is unfortunate that the score obstinately responds by losing exactly the feeling of mechanical repetitiveness that is its only point.

In this section, at least, Rostropovich is perhaps not the man for the "Leningrad". But there is much more to the symphony than its simple outline might suggest and as the work unfolds, so the characteristic intensity of this conductor brings increasing rewards. Rostropovich may lack the single-mindedness that drives the piece on, but he uncovers many deeply moving passages that are generally missed on the way.

In particular, this was the first time in my experience that the Adagio has become the central focus of the work. The string orations at the beginning and end of the movement were almost bursting with the concentration of emotion being squeezed into them.

In the circumstances some untidy corners in the LSO ensemble can be allowed, for the big-heartedness of the playing, as indeed of the performance all round, was more than compensation.

The concert opened with the Second Suite for Jazz Orchestra: a piece of jazz pastiche of the palest blue tint, its most notable feature being some outrageous over-scoring, which never uses two saxophones if four will do. At close quarters in the Barbican that in itself can be quite an experience.

Richard Fairman

Cheek by Jowl in London

Cheek by Jowl, one of the outstanding British touring companies of the 1980s, has now settled into its annual London season at the Donmar Warehouse in Covent Garden.

Shakespeare's *The Tempest* and Sophocles' *Philoctetes*, both reviewed here by Martin Hoyle in mid-October when the company visited Bury St Edmunds, are playing alternate weeks until January 7, when the company embarks on a three-month international tour including *dates* at *Kuala* Lumpur, Oslo, Prague, Bucharest and Ankara, hopping back to the Swan in Stratford-upon-Avon in late February.

The rarely seen Sophocles *strikes* me as a *failure* by recent standards, inconsequential and twee. The visiting Greek *sailors*, *bent on retrieving* the banished hero's magical bow, are kitted out in camp nautical white like prospective understudies for *On the Town*.

The translation by Kenneth McLeish does not fully solve problems of archaism and remoteness, but the musical settings of the chorus by Paddy Cunneen are notably good and well chanted.

Paterson Joseph makes of Achilles' son, Neoptolemos, a trembling conscience-stricken anti-warrior, but the pervasive small-scale preciosity is only really broken down by Keith Bartlett's pain-wracked Philoctetes, a Benn Gunn-ish leprous hermit of grease, dirt, *blood*, sweat, tears, suppurating wounds and mucky bandages. However, his Lemnos residence is an *incongruous* Never-Never *Land* contraption of nice clean poles and blankets. How has he lived, and where are we anyway?

M.C.

ARTS GUIDE

December 2-8

OPERA AND BALLET

London

Royal Opera, Covent Garden. The second opera production by Nuria Espert to be given by the Royal Opera is a new Rigoletto, designed by Ezio Frigerio, and conducted by Michael Boder (*British debut*).

English National Opera, Coliseum: The Christmas treat at the ENO is a new production *of a Rimsky-Korsakov rarity*, Christmas Eve, produced by David Pountney (in his own translation). Albert Rosen conducts, and the cast includes Cathryn Pope, Edmund Barham. Last performances of the second of Philip Glass's operas to be given by this company, The Making of the Representative for Planet 8, which leaves by and large a feebly undramatic impression; many more of The Mikado, in Jonathan Miller's jolly updated production, which has returned to the house in sparkling condition.

Vienna

Staatsoper. Der Fliegende Holländer, conducted by Sir Charles *Mackerras* with Nancy Johnson, James Morris. Le Nozze di Figaro, conducted by Peter Schneider with Margaret Price, Ann Murray. Ein Sommernachtstraum, conducted by Caspar Richter. Rusalka, conducted by Vaclav Neumann, with Gabriela Lechner, Gabriela Benackova-Cap. Manon, conducted by Adam Fischer, with *Edith Gurberova*, Francisco Araiza, Pierre Thau.

Berlin

Opera. Fidelio, a Jean Pierre Ponnelle production. The rarely played Die Hugenotten has a strong cast led by Pilar Lorengar. Otello returns with Raina Kabaivanska (Desdemona), Renato Bruson (Jago), Kaja Borris (Emilia) and Vladimir Atlantow in *the title* role.

Bonn

Opera. Lucidor and Der Nussknacker are both choreographed by Youri Vamos.

Hamburg

Opera. Tristan und Isolde is sung by Gabriele Schnaut, William Johns, Harald Stamm, Franz Grundheber and Julia Juon. Der Nussknacker has wonderful choreography by John Neumeier.

Cologne

Opera. Danuta Saska and Camillo *Meghor are brilliant as leads* in Manon Lescaut. Die Zauberflöte features Matthias Hoelle, Hellen Kwon. Hänsel und Gretel closes the week.

Stuttgart

Opera. The rarely played operetta Einstein on the Beach brings Elke Estinbaum, Urzula Koszut and Alfred Kuhn together. Tosca is a well done repertoire performance with Awilda Verdejo, Michael Sylvester. Onegin is choreographed by the late John Cranko.

Frankfurt

Opera. Le Nozze di Figaro has fine interpretations by Michal Shamir, Marianne Rorholm, Edith Mathis and Tom Fox. William Cochran has the title role in *Rudolf* Noelte's production of Otello, which features Helena Doese as Desdemona, Franz Grundheber as Iago, Margi Neubauer as Emilia, with Gary Bertini *conducting*. Also in *repertory* Il Barbiere die Siviglia and the ballet Behind the China Dogs, jointly choreographed by William Forsythe and Amanda Miller.

Amsterdam

Opera. Madame Butterfly staged by the Netherlands Opera and directed by Monique Wagemakers. Lucas Vis conducting the Netherlands Philharmonic, with Hiroko Nishida (Cho-Cho-San), Jonathan Welch (Pinkerton). (Fri, premiere; Sun, Wed).

The Hague

National Ballet with e pro*gramme of ballets by resident* choreographer Toer van Schayk: a new ballet to music by Hans Werner Henze, Seventh Symphony (Beethoven) and Mythische Voorwendsel (Bartok). Danstheater (60 49 30).

Rome

Teatro dell'Opera. Filippo Sanjust's production of Donizetti's rarely performed Poliuto conducted by Jan Latham-Koenig with Renato Bruson, Nicola Martinucci and Elizabeth Connell (Sat, Tues). Two ballets to music by Nino Rota, La Strada with *Oriella Dorella dancing the part* created by Giulietta Masina, Mario Marozzi and Raffaele Paganini, and Gattopardo Souvenir based on the novel by Giuseppe de Lampedusa (Sun) (46.17.55).

Milan

Opera. Luca Ronconi's production of Rossini's William Tell opens the season, with scenery by Gianni Quaranta which includes filmed sequences of the shores of Lake Lucerne and sur*rounding montains and forests* projected on to the backdrop. Riccardo Muti conducts a fine cast with Chris Merritt in the title *role*, *Giorgio Zancanaro* and Lella Cuberli. (Wed) (80.91.26).

New York

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, nine by Jerome Robbins, five by Peter Martins, and a month of *Balanchine's* Nutcracker. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600).

Washington

Joffrey Ballet, Kennedy Center Opera House. The Joffrey perform Gerald Arpino's choreography to The Nutcracker, staged *by George Verdak and Scott Ber*nard as set in Victorian America, circa 1850. Ends Dec 17 (254 3770).

Chicago

Lyric Opera (Civic Opera House). Maria Ewing recreates the role of Salome shs performed in London and Los Angeles in Sir Peter Hall's production, conducted by Leonard Slatkin, with James King as Herod and Franco Farina as Narraboth. Samuel Ramey continues in the title role of Don Giovanni in Jean Pierre Ponnelle's productioo conducted by Semyon Bychkov, with Carol Vaness as Donna Anna and Karita Mattila as Donna Elvira. (332 2244).

SALEROOM

Masquerade pays off

In August 1979 artist Kit Williams and writer Bamber Gascoyne buried a gold pendant in the shape of a hare on a hill top in Bedfordshire. Subsequently a book, *Masquerade*, set off a global treasure hunt with the hare as the prize. Two million people took part in the chase which finally ended almost three years later. Yesterday the finder sold the hare, valued at around £5,000, at Sotheby's for £31,900 to a non European collector.

Top price in a *jewels* sale, which totalled £1.35m with 13 per cent unsold, was £291,500 *paid by the London dealer* Hilton Jewellers for a diamond necklace and brooch.

Sotheby's was also disposing of property from the English estate of the late Henry Ford II. He acquired *Turville* Grange near Henley in the 1970s and his executors were having a clear out. Expected to make £500,000, the morning session alone hrought in almost £700,000 with a Bessarabian carpet, measuring 633cm by 427 cm, quadrupling its estimate at £82,500. In the afternoon a pair of Meissen ormolu mounted vases of around 1750 far exceeded their £12,000 estimate, realising £57,200. A hit of the sod of Dagenham, grass preserved when the first turf was lifted for the building of the factory in 1929, enclosed in a silver cigarette box, sold for *£22,000, as against a £800* estimate.

There were many records set *overseas at the weekend*. Sotheby's, Monte Carlo set a new high for the furniture designer Jacques Ruhlmann, £152,797 for a bar, on skis, made around 1930, while a silver water jug made in Paris in the 1750's went for £268,000.

In New York a cycladic marble head, of around 2,500 BC, sold for £1.14m ($2m), a record for any antiquity. It was estimated at $400,000. *The sale* totalled £2.3m.

Back to earth, the Weller Poley family was disposing of the library of the moated Boxted Hall, where it has lived since the late 14th century. The books brought in £100,000.

Antony Thorncroft

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The training challenge

CONCERN about the poor quality of British training and vocational education dates back at least 100 years. In 1884, the Samuelson Commission concluded that other industrial countries were adapting better to technological and structural change than Britain. The UK's poor performance, it said, reflected the low priority attached by the state to education and training. A century later, the hand-wringing continues.

Yesterday's white paper from the Department of Employment was billed as the most radical overhaul of industrial training since the early 1960s. It certainly contains innovations – such as the planned Training and Enterprise Councils – but it hardly lives up to expectations. Indeed, it is primarily a paper about employment creation. Training (or rather the lack of it) is seen as just one of many obstacles to employment – on a par with pay or industrial relations. Is this the right perspective from which to view training? After all, Britain had a very serious training problem in the 1960s when it enjoyed near full employment.

Training ought to be regarded as part of a broadly conceived education policy. Yet in the UK the linkage is minimal. On the day the Department of Employment puts out a white paper on training, the National Curriculum Council (see below) warns of the dangers of inadequate timetable space for science. The two issues are regarded as entirely distinct; yet shopfloor standards are low partly because mathematical and scientific education in British schools is so poor.

Short-term route

The emphasis on training as a short-term route to employment is likely to undermine the quality of programmes. Very few youngsters who complete the Youth Training Scheme gain vocational qualifications of any standing. This is because it was initially designed as a job creation programme, rather than as a course in vocational education. The same focus on training in the abstract is evident in yesterday's white paper. Training is seen as a Good Thing which employees need more of, but Mr Norman Fowler, the Employment Secretary, has virtually nothing to say about the *type* of training that is needed. In the education world, people are busy devising courses and setting attainment and assessment targets. Nothing comparable is happening in adult industrial training. And the Government is not demanding that anything comparable should happen: it is simply trying to devolve to local businessmen the responsibility for providing this abstract training.

Intriguing concept

At least two-thirds of the members of Training and Enterprise Councils (TECs) are to be top flight managers from the private sector. They will contract with Government "to plan and deliver training and to promote and support the development of small businesses and self-employment within their area." This devolution of training responsibilities to those "at the coal face" is an intriguing concept. Perhaps it will prove an enormous success: a national network of TECs could evolve over the next few years and arrange first-class training for local communities.

But it would be wise to retain doubts. Successful businessmen are not necessarily the best educators – and training is really a form of education. Moreover too many British businessmen have shown little interest in any training that goes beyond the short-term specific needs of their companies.

Companies clearly can and should do much more to train their employees properly. But individual employers in a free enterprise system do not have an incentive to provide an efficient overall level of vocational training. The Government is putting too little emphasis on the sort of rigorous vocational education which people need if they are to raise their skill levels significantly, but which cannot easily be supplied on the premises of individual employers. Yet it is in this department that the UK has fallen furthest behind its competitors in the last century.

A fudged curriculum

ONE OF the worst features of Britain's education system is the extreme bias towards early specialisation. Many children – particularly girls – opt at the age of 13 or 14 either to stop studying science altogether or to take just one General Certificate of Secondary Education (GCSE) examination in science. This early decision means that many talented individuals never have the opportunity to become scientists (the ratio of male to female physics undergraduates is 5:1). It also perpetuates an unfortunate arts/science cultural divide that has economic as well as social implications: the fact that few UK chief executives understand science doubtless influences corporate decisions on the funding of research and development.

The creation of a broad national curriculum was supposed to solve this problem. All children were to have a proper science education to the age of 16. Early specialisation would no longer constrain individuals' chances later in life. In June the science working party set up by Mr Kenneth Baker, the Education Secretary, duly recommended that *all* children should follow a *full* science programme leading to the award of a double GCSE at age 16. It said that up to 20 per cent of the school timetable would have to be set aside for the integrated study of physics, chemistry, biology and earth sciences.

Double science GCSE

Mr Baker, however, responded by doubting whether it was realistic to ask all pupils to study for a double science GCSE. He therefore asked the National Curriculum Council (NCC) to investigate the possibility of a worthwhile balanced science programme leading to a single GCSE, which could be covered in 12½ per cent of curriculum time. Scientists said this idea was a non-starter: there is no way children can keep future options for science study open by taking a single science GCSE at 16. The NCC, after wide consultation, has come to the same conclusion although it is too polite to tell Mr Baker that his plan is a mistake.

The NCC says that 90 per cent of responses backed the working party's call for a double science GCSE for all. Schools and eduction authorities said this would help overcome the present gender imbalance in science and widen opportunities for employment, training and further study. Academic studies confirm that the proportion of girls studying science at A-level is dramatically increased by deferral of choice from age 13 to 16. The NCC concludes that the option of a slimmed-down science course would perpetuate the problem of predetermined career routes and do nothing to increase the number of science and engineering students at university.

Composite course

Mr Baker should take due note of this advice. The requirement that children should study for a double science GCSE is not particularly onerous. The proposed science programme, after all, is a composite course: the closest analogue in the arts would be a general course in the humanities, embracing, say, English, history, art, music and perhaps a foreign language. Mr Baker would surely not argue that the study of the humanities could be similarly compressed into a single GCSE absorbing at most 12½ per cent of the timetable. Nor should he try to claim that design and technology, which will have a foot in both the arts and science camps, can act as a surrogate science for those who avoid the double science GCSE.

The only circumstances in which a slimmed down science course could be appropriate are for non-academic pupils following predominantly vocational courses. In French vocational schools, for example, academic studies occupy only 50 per cent of the timetable. But Britain has no such commitment to vocational education. The danger of providing the choice of single GCSE science is that large numbers of academically able pupils will specialise prematurely at great cost to themselves and the economy. Mr Baker must guard against this possibility.

Peter Marsh considers the prospects for the world chemicals industry

Why the good times may not last long

Christmas parties at the world's chemicals majors are likely to be lavish affairs. After several years of flat or falling demand for chemicals, accompanied by sometimes painful capacity reductions, the companies have in the past year hit a bonanza comparable with their last spell of sustained prosperity in the early 1970s.

A period of surging requirements for bulk synthetic materials such as polyethylene and other plastics – caused by economic expansion in many parts of the world – has coincided with constraints on supply caused by minimal investment in new plants since the slump in the industry at the turn of the decade.

As a result of this, the big chemicals companies have been able to push through the kind of price rises they could scarcely have dreamed of two years ago. They have also been helped by the low price of oil, their main raw material.

This combination of circumstances explains why in the past 12 months profits in the chemicals sector have leapt ahead, raising the spirits of executives from Osaka to Oklahoma. "At the moment being a commodity-chemicals company is a good thing," says Mr Richard Tighman, a vice president at Quantum, a US chemicals group formerly called National Distillers and Chemicals.

At issue, however, is how long the good times are likely to last. The chemicals business is notoriously cyclical; as a result the current boom seems almost predestined to be followed by a slump along the lines of that in the early 1980s.

Some chemicals managers, even as they celebrate today's healthy profits, are concerned that a rash of recent announcements over commodity-chemical plant investments may add to the risk of the industry lurching into a new crisis in the 1990s. There are particular fears about possible oversupply and the drop in prices and profits that could follow.

The worries mainly concern production of the feedstock chemicals, derived either from oil or natural gas, which act as the building blocks for the plastics and other synthetic materials used in virtually all parts of modern life. The feedstock substances include propylene, styrene, benzene and ethylene.

Of these, ethylene is easily the most important. It is produced at a world-wide rate of about 50m tonnes a year in giant plants called crackers. It acts as a starting material for tens of thousands of other organic chemicals, the best known of which are plastics such as polyethylene and polyvinyl chloride, which end up in dozens of industries from construction to cars and from metal-bashing to medicine.

Behind the debate about the wisdom of the newly announced commodity-material plants are the startling price rises in the past year or so of several ethylene-based commodity chemicals. Ethylene sells for $500-$700 a tonne; the price in the US has more than doubled in the past 18 months while the rate of increase in Europe has not been far behind.

This has had a knock-on effect on other materials processed from ethylene. The biggest price rises have been for basic plastics and fibres – typically selling for $1,000 to $2,000 a tonne – which are made from ethylene using well-established technologies and with little added value arising from novel research and development.

The most noticeable price jump – which has seen European prices tripling to about $1,700 a tonne since January – has been for ethylene glycol, a material derived from ethylene and which is used in anti-freeze and also in polyester fibre.

While costs of such materials are strongly linked to the ethylene price, other, high value-added organic substances like drugs or agrochemicals are largely immune. The prices set for these substances, which may easily reach $1m a tonne, depend more on research and marketing panache than on raw material costs.

The ethylene-based price rises have been behind the big profits this year for integrated oil/chemicals giants such as Exxon, Shell and British Petroleum, which base most of their chemicals operations on converting their own fuel resources into commodity materials. According to Mr Darryl Aubrey, an analyst at Chem Systems, a New York consultancy, US companies' profit margin on their ethylene sales earlier this year reached a staggering 80 per cent, compared with the 20-30 per cent which they might have expected in 1985.

The sustained nature of the jump in prices has made many chemicals executives believe the rise in demand for their products will continue for the foreseeable future, justifying the plant investments.

The industry has, however, a nagging fear about possible overheating due to too many plant expansions coming on stream. During the current boom, the industry initially refrained from sanctioning new plant construction of a kind which, on past experience, could be expected to lead to a production glut.

The chemicals business is notoriously cyclical; the current boom is almost predestined to be followed by a slump

The jeremiahs in the industry have repeatedly warned that this kind of surge of plant building was one of the factors that triggered the last chemicals slump in the early 1980s.

In recent months, however, the restraint has worn thin. Several big US companies, including Dow Chemical, Phillips Petroleum and Quantum, have announced new projects for adding significantly to production of chemicals like ethylene, propylene and basic plastics.

In Western Europe, the enthusiasm for new plant building has been less strong. But Petrofina, the Belgian oil company, is joining forces with Neste of Finland to build a new ethylene cracker in Antwerp, the first new ethylene production site in the continent for a decade.

Other companies have decided, moreover, to add to existing ethylene crackers – BP, for instance, plans to spend £200m extending its facility at Grangemouth in Scotland – or to build new plants for other feedstock substances like styrene.

Mr Robert Muller, a consultant with California-based SRI International, says that as a result of the new investments the US is likely to increase its ethylene production capacity by roughly one-third over the 10 years to 1995, to an annual level of 20m tonnes. The output from Western Europe and Japan is also likely to expand significantly.

Added to this have been plans for large-scale investments in chemicals in many countries outside the main industrial blocs. These nations include countries such as South Korea, Taiwan and Thailand. Recently, the Soviet Union signalled its interest in building up its chemicals capacity by signing a deal with a Japanese consortium led by Mitsubishi to build a $3.3bn chemical complex in western Siberia. China, meanwhile, is hoosting its chemicals production facilities.

Assuming the bulk of the new chemicals plants in the industrialising world go ahead, exports of chemicals from the richer countries, largely bulk plastics, could be severely hit. That could make questionable some of the plans for increasing production.

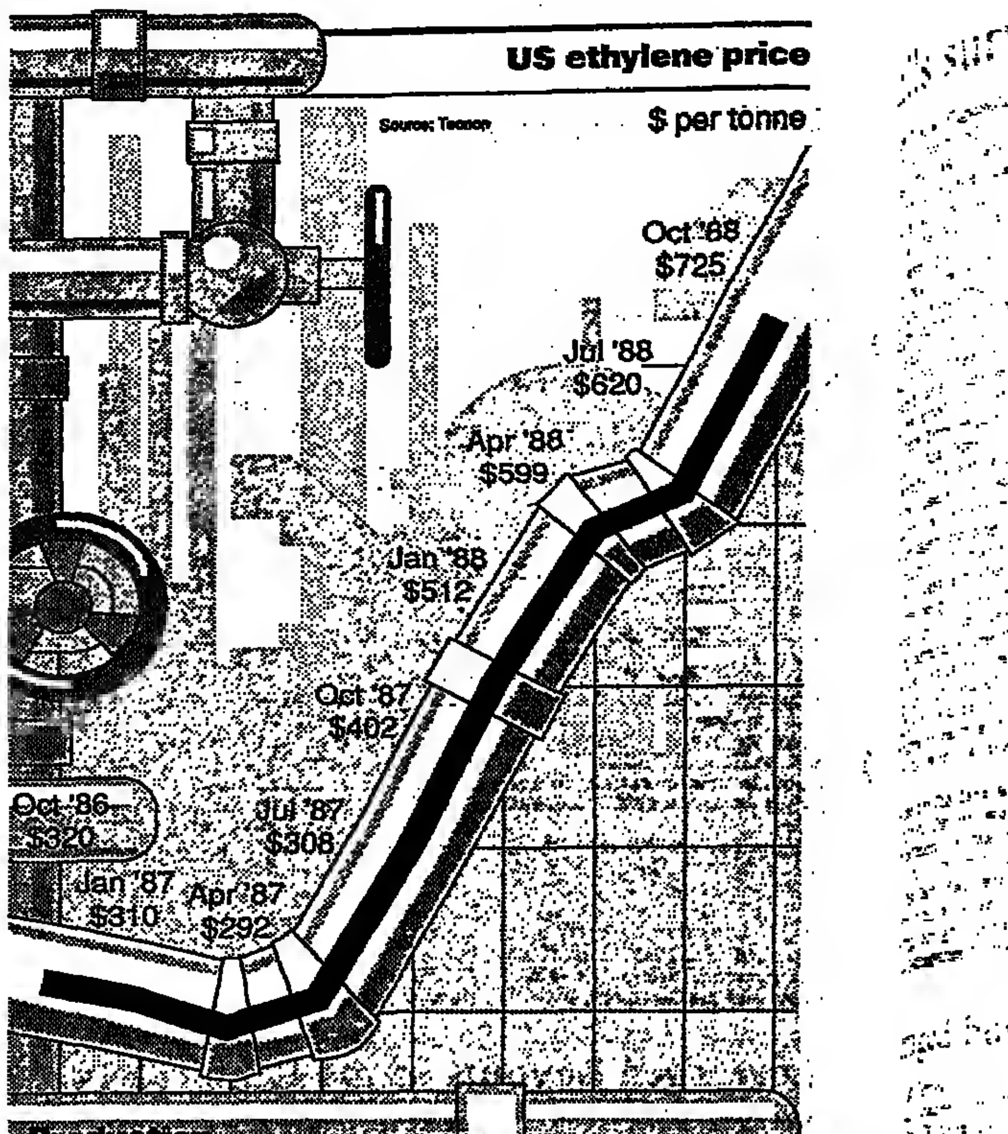
In the light of this, some industry observers such as Mr Stuart Wamsley, a chemicals analyst at the London office of Morgan Stanley, the US bank, believe chemicals companies may be shooting themselves in the foot by going ahead with expansion. He says that many of these companies should think again.

Other people in the industry are more sanguine. Mr Glenn Cox, president of Phillips, says he is confident that the 600,000-tonne-a-year ethylene cracker his company is building in Texas, at a cost of an estimated $400m, will make money.

Another area of debate in the industry concerns the effect of a continuation of the price rises of the past two years on the companies which buy chemicals feedstock materials. These are largely producers of plastics and fibres together with customers for these substances from the construction or clothes industry.

Mr John Phipps, a manager at Tecnon, a UK chemicals consultancy, believes many of the big chemicals companies, in pushing through their price increases, have been overlooking the reactions of consumers.

If the prices keep on rising, Mr Phipps reckons that some of the purchasers of synthetic materials could be driven – in what would be a reversal of the patterns of the past 50 years – to substitute substances like metals or natural fibres. Largely as a result of this factor, Mr Phipps and others believe the price rises will start to slow soon.



Production

million tonnes	US	Western Europe	Japan	Rest of the world*	Total
1985	15.3	13.2	4.4	10.4	43.3
1990 Projection	16.6	14.7	4.7	13.7	49.7
1995 Projection	20.0	17.2	5.3	19.3	61.8

*Not including Communist bloc. Source: SRI International

Although people within the chemicals industry are generally overjoyed at the return to health of the business, others are not so happy. Some observers are worried that the brighter prospects for the sector, and the rash of plant construction that might follow, might lead to environmental difficulties related both to emissions of wastes from manufacturing sites and also to the disposal of goods like plastics.

Mr Jonathon Porritt, director of London-based Friends of the Earth, the environmentalist group, says the build-up of new chemicals plants "is not good news." He is especially worried by the consequences in the industrialising world. "I have a feeling that many newly industrialising countries do not have the regulatory structures to control these industries from an environmental point of view."

Which companies are likely to be the winners and the losers from the upheavals now taking place in the chemicals industry? The past few decade in the sector has been dominated not only by the problems in the commodity area but by a rush (partly inspired by these difficulties) by many companies away from bulk materials and into specialist, high-value areas such as pharmaceuticals, crop-protection compounds and engineering plastics.

This has been particularly the case with BASF, Bayer and Hoechst of West Germany and Britain's Imperial Chemical Industries – the four biggest chemicals companies measured by sales. If it has done nothing else, however, the current surge in profits from commodity operations has made analysts think more deeply about the consequences of this kind of shift; the right approach, according to current thinking, is to balance a certain level of activities in the bulk-materials area with the kind of research and development resources required to make a success from specialist production.

The fact that many chemicals companies have worked hard at formulating this kind of strategy over the past seven or eights years makes many of them reasonably optimistic about their ability to handle events should the gloomier pundits in the industry be proved right and the sector move into some kind of downturn in 1989.

Of one thing most chemicals managers are reasonably sure: changing market conditions will give these strategies a far sterner test over the next year than in the past 12 months. Christmas 1989 may well not be quite so happy as the coming one.

OBSERVER

Caridi's last stand

■ At 58 years old, General Jose Dante Segundo Caridi, Argentina's army chief of staff, probably has only a few days left in his post, if not in the country itself.

The former artillery officer has earned for himself the hatred – not too strong a word – of the bulk of the professionals in Argentina's 57,000 strong army. It was his task to crush the latest uprising by disgruntled commandos; he failed largely because the professionals hold him in contempt.

A physically large man, the only unmarried senior officer among 25 generals, his career has been bureaucratic. He carried out admin duties during the Falklands war, a task which adds to the disrespect felt by people such as rebel leader Colonel Seineldin, who claims hero status for his part in the South Atlantic.

Much given to swearing and speaking as loudly as possible, he has a complex about using telephones, preferring to refer to himself as "doctor" Caridi, or simply "Dante", when leaving messages. Those who know him describe him as highly opinionated, a man who likes to give the impression of physical toughness.

His appointment as chief of staff, after an earlier rebellion during April 1987, came as a surprise to everyone. Even at that early stage two units, one in Salta and the other in Tucuman, staged a brief mutiny in protest at the promotion of a man who has never fired a shot in anger. Since then he has earned himself further odium by promoting to senior ranks a host of his friends, all from the artillery (the only unit to support him at the weekend).

Although President Alfonsin has given him his full backing, the rebels have called for his head. In five day's time General Caridi celebrates his 58th birthday. It is unlikely to be a happy occasion, except for his numerous enemies.

Family ties

■ One of the little noted consequences of Warburg Secutities' application for discount house status is the extent to which it will bring families together.

George Blunden, who heads Warburgs money market desk, is likely also to head the discount house operation. This will involve him in close contact with the Bank of England, where his father, George Blunden, is deputy-governor.

The connection between Warburgs and the Bank goes deeper. The Bank governor's son, James Leigh-Pemberton, also works at Warburgs. While his father's organisation is busy buying gilts, James works on sterling bond issues for companies.

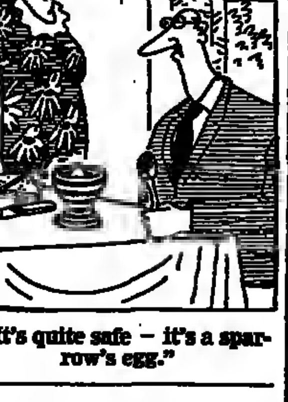
Curried eggs

■ There are several reasons why Edwina Currie, the junior health minister, should resign. One is that her statement – "Most of the egg production in this country, sadly, is now affected by salmonella" – is pretty sweeping by any standards. Either she should have backed it up more thoroughly, or done something about it earlier.

Another is that resignations are good for the body politic. Their absence suggests that that ministers are too scared to stand up for themselves or, alternatively, that they have nothing to stand up for.

A third is that Currie has been recently overshadowed at the Health Department by another junior minister, David Mellor, who has the same outspoken habits, but without her appeal: possibly Mellor's upstaging of her provoked the outburst.

A fourth is that she is very able. A fifth is that the Conservative back benches could do with a touch of spice. And a final consideration is that resignation now could do no harm at all to her long term career. Does she really want to go on being a semi-shackled junior minister when she could be a semi-house trained polecat with the freedom to talk about whatever she likes? For if she has not been over-shackled as a minister so far, she will be certainly shackled in future.



"It's quite safe – it's a sparrow's egg."

Dashing Green

■ The latest strife inside the West German Green Party might open new doors for one of the country's most intriguing and elegant politicians, Otto Schily.

Schily has long been the acceptable face of Green politics. With his oratorical and legal skills, he is one of the few Greens who could sit comfortably in a ministerial chair. And if the pragmatic "Realo" faction, of which he is unofficial leader, takes over the party next year following the weekend resignation of the radical "Fundi" controlled executive, the chances of Green participation in a future Social Democrat Government will rise.

It is hard to believe that Schily is only two years younger than Chancellor Kohl. Not only does he look younger, he has also become the personification of the 1968 generation in politics. He made his name as the defence counsel of the Baader-Meinhof terrorists in the 1970's, a fact he now prefers to play down. After entering the German Bundestag in the first Green batch in 1983, he established his parliamentary reputation hounding the Chancellor over the Flick scandal.

In recent years he has looked increasingly disillusioned as his party failed to capitalise on its early support and seemed determine to deny him the high office that he believes is his due. There has been some talk of him shifting to the Social Democrats, but he would find as much resentment there as in his own party.

To the Fundis he is anathema, with his suit and tie, small palace in Tuscany and liking for fast cars (he even recently agreed to advertise Porsches). His sexual charisma is also the source of much jealousy, one friend complaining that she had to stop going to Green meetings because she found radical feminists drooling over him too much to bear. He has called himself a "libertarian communist".

Present value

■ Graffito in a Birmingham doctor's waiting room: "My name is Patience, and I am exhausted."

LETTERS

Skills surveyed

From Mr D.A.A. Fagandini.

Sir, Your stern editorial on our national skill shortage (November 24) comes years too late and is still too feeble.

In 1984 the National Economic Development Council and the Manpower Services Commission published a comprehensive survey of training and education in our major competitor countries, entitled Competence and Competition. The survey stood in line with many others from many quarters, and it has been joined, quite recently, by yet another one, more closely focused on the electronics industry. All convey the same message.

Our balance of payments says it too. Gone are the days when some people expressed the belief that the service industries, especially the financial service industry, would make up for our inability to add sufficient value to our manufactures to earn a decent living in the world's market place.

Gone also are the days when, parrot fashion, the cry was for more investment in manufacturing – in complete ignorance of the fact that, without significant inputs of skill in engineering, design, development and management, investment in manufacturing would not necessarily support a big turnaround in our economic affairs. We were to do it all by research. Development and engineering were for the birds. (I hope that cry has gone as well.)

But how long will corrective action take if most parents still believe that an academic education is the only one worth having? How many schools, opting out of their local education authority, will transform themselves into technical schools?

The Government has been in thrall to the educational establishment for so long that ministers have no firm grip on the situation even today – witness the Cox report on the teaching of English, the world's international language whose proper use we risk losing.

You will have to speak out much more forcefully than you did in your leader, sir, if enough noise is to get through the layers of intellectual cladding that surround our special mythology of education. You will have to thunder – and frequently – for no one else seems able or willing to do so.

D.A.A. Fagandini,
6 Alleyn Park,
Dulwich, SE21

Skills shortages overstated

From Dr Michael Cross.

Sir, An almost constant claim over the past few years has been that there are shortages of skilled craft, technical and professional manpower in the UK economy.

Many of these claims are overstated. An analysis of a wide range of manufacturing jobs on 24 sites, covering 7,228 people, established that only 10 per cent to 25 per cent of individual job holders' ability was being used. The same research indicates that the following factors contribute to this great waste of human talent:

- Over-specification of most jobs;
- Over-reliance on the ability of supervisors to control employee behaviour;
- Too great an investment in maintaining the status quo;
- The breakdown of the manufacturing organisation into interdependent systems and activities;
- Over-centralisation of information and authority;
- Over-reliance on individual monetary rewards;
- Gross undervaluing of human resources;
- Over-reliance on technology and techniques to solve organisational problems;
- Under-attention to the external environment.

These nine factors, taken together, have led to the huge mis-use and abuse of talent in the UK, and contribute to our inability significantly to raise real productivity through the re-organisation of job structures and work organisations.

We need some form of pact (national consensus) between the relevant parties, to speed up the process of modernising and re-structuring UK manufacturing industry. The experience of some advanced western economies – notably Sweden, Austria and West Germany – indicates that such an approach has greatly added to their manufacturing re-structuring programmes.

Developing and agreeing a national agenda for workplace and social change might seem to be a call for a return to the 1960s, but it is vital that we recognise that the market can have its blind spots, and that support through development of a consensus and the provision of resources does not necessarily mean retreat from a "market approach" to the UK economy.

Michael Cross,
57 Balmain Close,
Grange Road,
Ealing, W5

Leveraged buyouts in the US

From Mr Leo Herzel.

Sir, Your leader on RJR Nabisco, the US tobacco and food group (November 21), is critical of management conflict of interest in leveraged buyouts (LBOs) in the US.

There is no evidence that the premiums paid to shareholders in LBOs are significantly different from the premiums paid in acquisitions generally. (See, for example, Jarrell, Brickley and Netter, 2 Journal of Economic Perspectives, Winter 1988, pages 49,51,52).

The reason is the competitive market for acquisitions in the US. Disclosure rules under the federal securities laws, and state law fiduciary rules governing the behaviour of company directors, combine to make LBOs a very important factor in a highly competitive takeover market.

RJR is itself a good example. A special committee of independent directors, with independent advisers, put the company up for auction, and there is no evidence that it has made any effort to favour or to please management.

If LBOs are eliminated, an important competitive factor will be eliminated from the takeover market. This would favour acquirers with lots of ready cash. There is no reason to believe that these acquirers, on the average, make very good choices (see Jarrell, Brickley and Netter, page 58).

Yes, there are some striking counter-examples to what I have said. But there are competing bidders such as Robert Maxwell around, who have a strong incentive to take them to court.

As John Plender points out on the same page as your leader, there are many controversial public policy issues surrounding highly leveraged acquisitions. However, conflict of interest is not one of them.

Leo Herzel,
Mayer, Brown & Platt,
190 South La Salle Street,
Chicago,
Illinois 60603, USA.

UK property

From The Earl of Buchan.

Sir, I am mystified that you discuss in your customary learned manner (Lex, November 25) the value of UK property shares, the market's view of them, and so on, without mentioning the most important issue: why do overseas investors take a different view?

Recent bids by Swedish, Japanese and Dutch companies – and the bid for Hammerson Property in particular – indicate (on the face of it) that they think our property companies are much more valuable than we do. Who is right?

Buchan,
Newnham House,
Basingstoke, Hampshire.

Refer to cash flow

From Mr T. Walmsley.

Sir, You report Hanson's proposal to determine the company's borrowing powers by reference to net assets including acquired goodwill (November 29). Lex comments that a more radical solution to the problem of measuring debt capacity would be by reference to cash flows or earnings.

I agree with Lex. Debt capacity is better measured thus than by reference to balance sheets in which assets, however widely defined, are measured at historical cost.

The problem is to determine sustainability of cash flows or earnings, and thus the capacity to service debt. The answer here is to go one step further than Lex, by measuring debt capacity by reference to the value of a company's equity capital in the stock market.

T. Walmsley,
Heriot-Watt University,
Edinburgh,
Scotland

Stone thrown from a glasshouse

From Mr G.C. Ronald.

Sir, As foreign exchange researchers and analysts we have for some years been regular subscribers to the OECD (Organisation for Economic Co-operation and Development) Main Economic Indicators monthly publication.

The figures we mostly study are the world-wide inflation rates, so you may imagine our surprise and distaste when our subscription renewal notice from Her Majesty's Stationery Office quoted – un-explained – a staggering 161 per cent price increase; that is, from £36 to £94 a year. Even Turkey (an OECD member country) has an inflation rate of only 82 per cent.

Chancellor Nigel Lawson is at great pains to stress the importance of defeating inflation. Perhaps he could make a good start by keeping his own house in order.

G.C. Ronald,
Forexia (UK),
149 Petersham Road,
Richmond, Surrey.

R&D applied differently

From Mr J. Spencer.

Sir, "Scotching the cultural myth" (November 23) does not take cognisance of the fact that Japan spends barely 1 per cent of gross national product (GNP) on armaments. So instead of 50 per cent of all R&D being devoted to military ends (as in the UK), they produce large quantities of "high-tech" goods.

J. Spencer,
Windycot,
Cranham, Gloucestershire

Nuts and dates

From Commander J.R. Ducker.

Sir, I was interested to read (Observer, November 29) that this year December 23 will be "earlier in the month than normal". The UK Department of Trade and Industry clearly has great influence.

J.R. Ducker,
6 Culworth House,
St Johns Wood, NW8.

The statistics of poverty

From Mr Alan Mayne.

Sir, Both Carey Oppenheim (Letters, October 29) and Michael Stern (Letters, November 11) use inadequate statistical information to indicate the extent of poverty in the UK.

It is not possible to obtain a true picture of poverty by citing average income figures or numbers of people below a particular income level. A much more detailed statistical analysis needs to be carried out, and it seems unlikely that the necessary information can be obtained from publicly available statistics alone.

The following considerations must be taken into account.

There should be a sufficiently objective definition of both individual and family poverty, which measures the extent to which different essential requirements of living are actually met, and also takes some account of quality of life.

We should realise that the amount of money income needed to avoid poverty varies very much from one person or family to another – for example, because of very marked fluctuations in the actual costs of providing adequate housing and shelter, and because of differences in individual requirements for such essentials as diet and good health.

General upward trends in the incomes, in real terms, of different sections of the population can be misleading: they fail to indicate changes of income because of adverse changes in individual circumstances. For example, those who become unemployed, or otherwise find it hard to obtain enough work or sufficiently well-paid work, do not share in the general rise in prosperity of most people in the UK. Similarly, those who have to face exceptionally high housing costs do not share in this increased affluence.

I suspect that the actual incidence of poverty in the UK has risen appreciably, if not extensively, during recent years. This has not been truly reflected in official statistics, although recent rises in the number of homeless people give a better indication.

Alan Mayne,
29 Fairford Crescent,
Downhead Park,
Milton Keynes, Buckinghamshire

EC anti-dumping policy does not relate to the real situation

From Mr Don Pinchbeck.

Sir, At a recent *Confederation* of British Industry seminar, representatives of the US, the EC and Japan protested how *open* and unfettered they kept their markets, but how concerned they were that the others were not "playing fair". Here were three mighty trading blocs lumbering like elephants around the world *stage* – mindful of each other, but *not noticing* the damage done to small companies trampled underfoot.

Need the European Commission be so cavalier in its task of policing Europe, *trying* to guard its borders and keep *super-efficient* Japanese and American companies at bay while the re-forming of European industry takes place? *It is* difficult to relate Mr Willy de Clerq's defence of *anti-dumping* policy (November 21) to the real *situation* – at least in Epson's case.

No one can object to "the principle that injurious dumping is to be condemned". While the rule that *dumping* meant selling at below cost has long *gone,* the Commission is unable or unwilling to demonstrate the workings of some of the new rules.

Epson's products can be obtained at much lower prices almost everywhere else in the world. In the UK, full page advertisements proclaim Amstrad printers at £499 and what they claim to be an equivalent Epson at £849. Yet we are *said* to *be dumping.*

Mr de Clerq claims: ". . . the 'low' price does not necessarily result from cost efficiency". We placed in the Commission's hands independent technical evaluations showing costs of European manufacturers, on average, 38 per cent higher than Epson's for equal volumes. Where a European manufacturer had copied the Japanese method and *design,* its cost was 10 per cent down on Japanese costs. The message is clear. Costs are kept low by efficiency and careful design. European industry can do as well when it really tries – *without the help of* the Commission.

Mr de Clerq talks of "sales which are often made at a loss". Yet the Commission recognised that in Europe and Japan we made profits which were, to say the least, substantial.

The *crippling* effect of the anti-dumping levy robs non-European companies operating within Europe of profits for re-investment in products, jobs, and research and development within Europe.

It really does seem too much to trot out the old hackneyed argument of the closed Japanese market. After Europe, Japan is now the UK's sixth *biggest export market* place and – after Saudi Arabia – the second fastest growing. Japan is now a bigger export market for the UK than any of the Commonwealth countries except Canada, and even Canada will probably be *over*hauled this year.

Average weighted tariffs applied by Japan are apparently lower than those applied by Europe or the US. In Japan now, "western" is good, "European" is even better. But in a free society it is not possible to pass legislation compelling people to buy. Their needs must be identified and marketing must be of a high quality.

What constitutes a European company? Olivetti sources typewriters in Singapore and *sells them against the* Japanese Brother company which manufactures in Wales and is cleared of "screwdriver" charges. Amstrad buys printers in the *Far East* and sells at a recommended retail price almost half that of the UK Epson manufactured product. Which company is the good corporate citizen of Europe? Each company, of course, is doing what is sensible for its own business.

However hard we try to be a good European company, our Japanese parentage seems to be regarded as a *fatal flaw.* I wonder whether in five years' time, when the efficient Euro-producers who got their markets and product development hopelessly wrong have still not got their act together, the EC will give us our money back? Somehow I think not.

Don Pinchbeck,
Epson (UK),
Dorland House,
388 High Road,
Wembley, Middlesex.

FOREIGN AFFAIRS

The need for collective self-respect

Edward Mortimer asks whether the UN can continue to be the effective guardian of world peace

I make no apology for returning, *for the* third time this autumn, to the subject *of* the United Nations. No one can say that the UN has not been in the limelight these last few days. Nor is it likely to fade in the next few: tomorrow Soviet President Mikhail Gorbachev will occupy the New York podium denied last week to PLO leader Yasser Arafat; and on the next day the UN Secretary-General, Javier Perez de Cuellar, will fly to Oslo to collect the 1988 Nobel Peace Prize on behalf of the UN Peacekeeping Forces.

And next week, of course, the General Assembly will meet in Geneva – the first time it has done so outside the US since the UN established its headquarters in New York more than 40 years ago.

The move to Geneva is a virtually unavoidable response by the Assembly to the US Administration's refusal of a visa to Mr Arafat, which – as even *the British government accepts* – was clearly a breach of the US's legal obligations as host country. Of course the General Assembly, representing almost *all governments in the world,* is far from being a perfect body, since most governments are very imperfect, notably in being very unrepresentative of the peoples that they govern. Those peoples are also very unequal in size, so that a system of one government to *one* vote makes the Assembly as a whole even less representative of the world's population.

Even so, a parliament representing almost all the governments in actual control of the earth's land surface must be assumed to have some collective self-respect. It should not be expected to let its list of speakers be arbitrarily vetted by any one of its members. But that does not mean the decision is necessarily good for the General Assembly, or for the UN as a whole. It could even mark the beginning of a reversal of the painful and still far-from-complete process of rehabilitating the UN in the eyes of Western, especially US, public opinion.

One of the reasons why the UN was located in New York in the first place was that it was felt necessary to involve the US in it as much as possible. It was believed that America's failure to join the pre-war League of Nations had been a significant factor of the latter's ineffectiveness, and that the League, *located in Switzerland* (a neutral and a non-member), had been too remote from the realities of power politics.

From this point of view the Assembly's *removal to the* Palais des Nations in Geneva, where echoes of the League's high-flown oratory can still be heard, is an unfortunate symbol. Of course it is only going there for one debate, but in so doing it sets a precedent which could make the US feel freer to exclude other unwelcome guests of the UN in future. True, the Security Council, which some would see as the "serious" part of the UN because its resolutions have to secure the consent of all five permanent members, will remain in New York.

But public opinion does not often bother to distinguish between the different UN institutions; and General Assembly actions, especially those affecting Israel, have had a disproportionate effect on the UN's overall image in the past. The trouble is that it depends very much on the US whether the UN carries on its recent run of successes and establishes itself *as something like the effective* guardian of world peace that it was designed to be, or whether it relapses into the marginal role to which it seemed condemned *a couple of years ago.*

The successes have been of two sorts. There have been diplomatic achievements, where UN institutions and procedures have helped to bring progress towards a solution of entrenched conflicts – Afghanistan, Iran-Iraq, Western Sahara, Cyprus, and to a lesser extent Angola and Cambodia; and there is the peacekeeping effort, where forces under UN command have helped to prevent renewed outbreaks of fighting in known trouble spots. The latter is recognised not only by the award of the Nobel Prize but also by the inclusion of a UN peacekeeping role in the new agreements that have been or are being negotiated.

Thus the continuation of the UN success story depends on continued progress in resolving conflicts, which in turn depends in part on the effectiveness of UN forces in carrying out the peacekeeping tasks assigned to them.

In Afghanistan the Soviet withdrawal is probably now irreversible, but the ending of the civil war will depend in part on judicious use of the leverage the US derives from its role as arms supplier to the different resistance groups.

> **There is a danger that the delicate diplomatic work may be less effectively handled in future**

In the Middle East, the prestige of the UN *must depend on* moving beyond the Iran-Iraq ceasefire to implement the rest of Resolution 598, on which both parties' acceptance of the *ceasefire was based; on giving* teeth to the Security Council's condemnation of chemical weapons; and in due course on using the Security Council to *tackle the Arab-Israel conflict* as well.

None of these can be attempted without a really determined commitment from the new US administration. But the Angola-Namibia agreement is perhaps the one most central to the UN's fortunes, because it is there that it has been assigned the biggest peacekeeping role; and it is there that the US role will be absolutely decisive, both in diplomatic terms and in the amount of financial support it is willing to give.

The cost of the UN role in Namibia, which includes providing a transitional administration and supervising the election of an independent government, is reckoned at up to \$600m, of which the US would be expected to pay \$200m. If all *the* current agreements work out as planned, 1989 could see a rise in the worldwide strength of UN peacekeeping forces from 10,000 to 30,000, and in the cost from \$300m to well over \$1bn.

Partly for this reason, Mr Perez de Cuellar announced two weeks ago that his Under-Secretary-General for Special Political Affairs, Mr Marrack *Goulding,* will *henceforth* concentrate exclusively on peacekeeping operations, while all "peace-making activities" – political diplomacy – would be transferred to his own Executive Office, along with some of the most politically sensitive and experienced staff.

While that may seem a sensible arrangement, *it* is not certain that the two types of activity can be so neatly separated; and there is a danger that the very delicate diplomatic work involved in administering peacekeeping forces may be less effectively handled in future. That danger is particularly acute if the funding and strength of peace-keeping forces are reduced without a commensurate reduction in the tasks assigned to them, or if the tasks are expanded without adequate funds and personnel being provided. This is all too likely too happen as finance ministers in the main contributor countries look at the bills *coming in,* and especially when the US Congress applies its special combination of budget-cutting zeal and political arrière-pensées.

Already one of the last acts of the outgoing Congress was to block a transfer from the Pentagon to the State Department of funds intended for the UN peacekeeping operation in Namibia. Ignoring the premises of years of diplomatic work by the *Reagan* administration, a group of senators led by Mr Dennis DeConcini of Arizona decided that Namibia should not have UN-supervised *elections* and a *transitional* administration unless Angola had the same.

Presumably the South Africans have been encouraged by *this in seeking* to *toughen the* supervision of the Cuban withdrawal from Angola, which has already caused a serious hitch in the negotiations. Even if *this can be overcome,* there remain plenty of points et which the Namibian independence process can get stuck, and the further on it happens *the more likely it is that this* week's Nobel prizewinners will be next year's universal scapegoats.

FINANCIAL TIMES
Tuesday December 6 1988

Argentinians celebrate outside the National Congress building in Buenos Aires after the surrender of army rebels

Confusion persists in Argentina

By Gary Mead in Buenos Aires

STRONG rumours persisted throughout yesterday that President Raúl Alfonsín of Argentina had made important concessions to army rebels who surrendered late on Sunday evening after occupying military installations.

Following the surrender, Mr Alfonsín said on national radio: "I have not made concessions of any kind." He added that General José Dante Caridi, army chief of staff, "retains all my confidence."

Despite Mr Alfonsín's statement, which neither gave further details of the surrender terms nor spoke of any punishment for the rebels, a confused air hung over Argentina throughout yesterday. Suspicions grew that the rapid end to the three-day rebellion hinted at a partial victory for the demands of the leader, Col Mohamed Ali Seineldín, rather than any weakening of his men's resolve.

Several factors conspired to strengthen such suspicions, not least the failure of Mr Alfonsín himself to state firmly that the commandos – who occupied the Villa Martelli arsenal on the outskirts of Buenos Aries – had unconditionally surrendered. And there were reports yesterday that Col Seineldín was still holding out at the Villa Martelli base for some kind of deal with the authorities.

By last night, the army high command had issued no further bulletin after that of Sunday evening, which simply stated that Gen Caridi had ordered a cessation of all operations, that the rebels would be handing in their weapons under the supervision of Gen Isidro Caceres, and that later "a fuller communiqué would be released".

Equally important, it became clear throughout yesterday that the rebellion had taken firm hold in several other army establishments, including a mechanised infantry regiment at Mercedes (Buenos Aires province) and a regiment specialising in jungle warfare in the far northern province of Formosa.

Gen Adolfo Etcheun, head of the fourth paratroop brigade in Cordoba, refused to obey Gen Caridi's orders to participate in crushing the insurrection. He said Col Seineldín's ideals were "the same as those of all the army."

Gen Caridi's failure to muster sufficient units to quell the rebellion quickly by force suggests he faced a serious split in the army. His widespread unpopularity in the army, and his failure to gather enough support to break the rebellion, may indicate that his days as chief of staff are numbered.

At the same time, strong indications grew that the rebels had secured a number of other demands, besides the eventual sacking of Gen Caridi. Those included an increase in the army's share of the national budget and an amnesty for all officers serving prison sentences for human rights abuses in the "dirty war" of 1976-1980, when at least 9,000 people disappeared and thousands more were tortured by the military.

Such an amnesty would not be immediate, but would be introduced after the presidential election of May 1989, and before the new president took office the following December.

Mr Horacio Juanarena, Minister of Defence, is due to address the Senate this morning, and will inform Congress's upper house of the steps taken to achieve the surrender.

He added that he expected Mr Juanarena to dispel doubts "which we all have about the conditions of this settlement with the insurgents."

French act on Channel tunnel complaints

By Paul Betts in Paris and Andrew Taylor in London

FRENCH construction companies building the Channel tunnel will publicly defend themselves next week against complaints that they are to blame for delaying the project.

The French companies, Bouygues, Spie Batignoles, Dumez, SGE and SAE, are members of Transmanche Link, in which they are grouped with five British construction groups. The French companies have called a press conference in Paris next Tuesday to present their case.

Eurotunnel, the Anglo-French group which placed the contract, has criticised the management of Transmanche for tunnelling delays which it says are responsible for increasing the cost of the £4.7bn ($8.69bn) project by more than £100m.

The contractors say problems with machinery, difficult ground conditions and the failure of a French company supplying one of the tunnel borers contributed to the delays.

Eurotunnel is seeking financial penalties against the contractors for failing to meet interim targets.

British members of Transmanche, Balfour Beatty, Costain, Tarmac, Taylor Woodrow and Wimpey are also annoyed with Eurotunnel's complaints but did not say whether they planned a similar press conference.

Some of the British contractors have said that they might counter claim against Eurotunnel. They say targets were agreed when it was thought construction would get underway in summer 1987, but that a crucial share issue by Eurotunnel was postponed. This meant tunneling did not start until the beginning of this year.

West Germany on course for another record trade surplus

By Andrew Fisher in Frankfurt

WEST GERMANY notched up another large trade surplus of DM10.6bn ($6.2m) in October, with the figure for the full year set to reach another record. Several economists also forecast an even higher surplus for 1989.

But when the effects of price rises are allowed for, imports have actually grown faster than exports. In the first 10 months of this year, imports rose in real terms by 4.9 per cent compared with 4.4 per cent for exports, the Federal Statistics Office said.

"In volume terms, the surpluses are being reduced," said Mr William Ledward, an economist with Nomura International in London.

He estimated that German imports had expanded at an annual 10 per cent rate by volume in the August-October period of this year compared with an 8 per cent increase for exports.

Germany's October surplus was higher than the DM10.1bn recorded in the same month of last year, but down on the DM11.3bn of September, 1988. The January-October surplus was DM101.4bn against DM93.8bn in the same period of 1987, thus putting it well on target to exceed the DM117.5bn in the whole of last year.

German exports have been propelled along this year by a capital investment boom in major markets. Production figures from the Economics Ministry showed a 4.5 per cent rise in manufacturing industry output in September and October this year against the same two months of 1987. Total industry output was up by 3.7 per cent, with declines in mining and construction.

Many German exports are fairly immune to price and currency changes – the D-Mark has fallen against the dollar and been steady in Europe this year – and are expected to rise again next year.

Bayerische Hypotheken-und Wechsel-Bank said it expected "another robust rise" in Germany's foreign sales in 1989. "Rising export prices will keep Germany's trade and current account surpluses at high levels, despite a substantial rise in imports."

The current account surplus, including goods and services, rose to DM7.9bn in October from DM7.2bn last year and to DM64.3bn from DM62.1bn in the first 10 months.

Seoul Cabinet purged by Roh

Continued from Page 1

Observers noted that most of the new figures are relatively inexperienced academics from the prestigious Seoul National University, but most have an international outlook.

Mr Cho Hyung, the new deputy Prime Minister and head of economic policy, is an academic economist who said yesterday that the country's aim will be to reduce dependency on exports and develop a more balanced internal economy. He will be helped by the appointment of Mr Park Seung.

The new Finance Minister, Mr Lee Kye Seong, with a long career in the economic bureaucracy, is expected to have a close relationship with the overall leader of the team, Mr Moon Hee Gab.

UK retail sales climb despite slowdown in growth of credit

By Ralph Atkins in London

BRITISH Consumers' outstanding credit showed the smallest rise for nearly two years in October but retail sales remained buoyant, according to official statistics released yesterday.

The Department of Trade and Industry figures failed to clarify conflicting signals about the outlook for consumer spending. Financial markets continued to be unsettled by fears that high interest rates will be needed for some time to control inflation, and may even rise further.

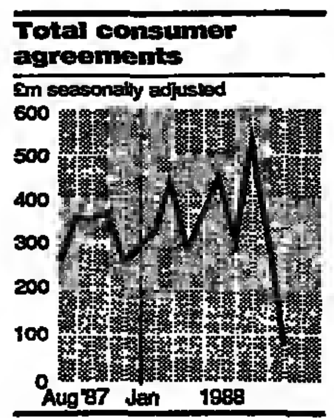
The pound strengthened further yesterday, largely on interest rate speculation, despite limited intervention by the Bank of England. In quiet trading, sterling rose 1½ pfennigs against the D-Mark and almost 1½ cents against the dollar.

The DTI figures showed the amount outstanding on consumer credit agreements increased by £81m ($151m) in October after adjustment for normal seasonal variations. That was much less than the £321m increase in September and the lowest rise for any month since November 1986 – possibly suggesting that the rise in interest rates during the summer is beginning to bite.

However, retail sales volumes rose steeply by a revised 2 per cent in October after seasonal adjustment. This surprised analysts who expected the provisional figures, showing a 1.9 per cent increase, to be revised downwards.

Total consumer agreements

£m seasonally adjusted



The rise follows falls in both August and September. In the three months to October, sales were 1 per cent higher than the previous three months and 5½ per cent higher than the corresponding period a year before.

The credit figures suggest consumers may have reacted to higher interest rates by repaying outstanding borrowing – particularly on credit cards – rather than restricting their use of credit. New credit advanced in October, before taking account of repayments, was only slightly lower than in September, at £3.5bn compared with £3.6bn.

However the DTI warned that it was unwise to read too much into a single month's figures.

The amount outstanding on bank credit cards fell by £78m in October. There was only a small rise, of £8m, on the amount outstanding with retailers.

New credit advanced by finance houses fell by 9 per cent in October to £1.23bn, probably reflecting the fall in car sales from summer peaks.

Analysts took some comfort from the credit numbers. Mr Bill Martin, economist at Phillips & Drew, said it was a "sign of hope" although it was not yet reflected in retail sales figures.

The latest retail sales figures appeared to conflict with anecdotal evidence from last month's Confederation of British Industry/Financial Times distributive trades survey. This pointed to a marked slowdown in the growth rate in October.

This month's survey results, to be published on Thursday, will give the first guide to retail sales trends in November and prospects for December.

The value of sales in October was £8.92bn – 10 per cent higher than the corresponding month a year before. The seasonally-adjusted index of retail sales volumes stood at 141.2 against 138.4 in September.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	18	64	Dubrovnik	C	12	54	Malta	F	17	63	Rhodes	C	14	57
Algiers	S	19	66	Edinburgh	S	06	43	Manchester	R	08	46	Rio de J'o	F	30	86
Amsterdam	S	08	46	Faro	S	18	64	Manila	F	31	88	Rome	C	17	63
Athens	S	16	61	Florence	C	16	61	Melbourne	C	17	63	Salzburg	F	08	46
Bahrain	S	22	72	Frankfurt	R	12	54	Mexico City	C	22	72	San Francisco	F	20	68
Bangkok	F	31	88	Funchal	C	19	66	Miami	C	22	72	Seoul	F	01	34
Barcelona	S	14	57	Geneva	R	12	54	Milan	S	08	46	Singapore	C	30	86
Beirut	C	20	68	Gibraltar	S	17	63	Montreal	C	08	46	Stockholm	C	02	36
Belfast	S	06	43	Glasgow	S	05	41	Moscow	C	-8	18	Strasbourg	R	09	48
Belgrade	F	07	45	Guernsey	R	09	48	Munich	R	06	43	Sydney	C	33	91
Berlin	F	07	45	Helsinki	Sn	-3	27	Nairobi	C	23	73	Taipei	F	17	63
Biarritz	C	14	57	H. Kong	F	21	70	Naples	F	18	64	Tangier	S	17	63
Bombay	-	—	—	Innsbruck	R	07	45	Nassau	C	27	81	Tel Aviv	F	21	73
Bordeaux	C	15	59	Inverness	F	04	39	New Delhi	F	24	75	Tenerife	C	21	70
Brussels	C	07	45	Islamabad	F	24	75	New York	C	11	52	Tokyo	F	18	64
Budapest	S	09	48	Istanbul	C	15	59	Nice	S	16	61	Toronto	C	06	43
B. Aires	F	38	100	Jakarta	C	32	90	Nicosia	-	—	—	Tunis	F	19	66
Cairo	S	21	70	Jersey	R	07	45	Oporto	C	15	59	Valencia	S	17	63
Cape Town	S	26	79	Jo'burg	F	27	81	Oslo	C	-1	30	Venice	C	10	50
Caracas	C	24	75	Lima	-	—	—	Paris	R	14	57	Vienna	F	06	42
Casablanca	F	18	64	Lisbon	F	17	63	Peking	F	06	43	Warsaw	R	-1	30
Chicago	S	01	33	London	C	09	48	Prague	F	05	41	Washington	C	03	37
Cologne	F	08	46	Los Angeles	F	26	79	Reykjavik	S	-3	26	Zurich	R	07	45
Copenhagen	R	05	41	Luxembourg	C	06	43								
Corfu	F	14	57	Madrid	F	14	57								
Dallas	S	02	36	Majorca	S	19	66								
Dublin	F	06	43	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Minister embroiled in growing row over bad eggs

By Philip Stephens, Lisa Wood and Nikki Tait in London

A FURORE over the hygiene of Britain's eggs deepened yesterday.

The British Egg Industrial Council, which represents the UK's 250 egg suppliers in a business worth £1.5bn ($2.7bn) a year, threatened to take Mrs Edwina Currie, Junior Health Minister, to court over her weekend remark that "most" of the nation's eggs were infected with salmonella.

The Government, meanwhile, announced a new code of hygiene practice for Britain's poultry breeders as it acknowledged growing official concern about the incidence of the infection in the country's egg production. The code emerged from the Ministry of Agriculture as the British Egg Industry Council, representing about 250 egg suppliers, was considering taking legal action against Mrs Currie, her department and/or Independent Television News, over her remarks broadcast at the weekend suggesting that most British eggs might be infected.

Meanwhile at the National Farmers' Union, Mr Simon Gourlay, president, said the NFU might consider suing Mrs Currie if her broadcast remarks about "most" egg production being infected with salmonella led to a substantial drop in sales.

In a House of Commons statement, Mr Kenneth Clarke, Health Secretary, said that up to the end of October there had been 46 reported outbreaks of salmonella poisoning linked to eggs, involving about 1,000 people.

Mr Clarke urged MPs to keep the problem in perspective, adding that the outbreaks were "very small" when set against daily UK consumption of about 30m eggs. He noted, however, that salmonella infection represented a growing problem and that the official figures may underestimate the numbers affected.

In those circumstances it was advisable that the elderly, the infirm, pregnant women and young children should avoid eating eggs unless they were thoroughly cooked.

Although clearly embarrassed by Mrs Currie's remarks, the Health Secretary said it was the Government's duty to warn about the potential dangers of eating raw or lightly cooked eggs. It had advised catering concerns to use pasteurised eggs rather than raw eggs in food preparations.

He rejected opposition calls for Mrs Currie to resign, describing her as a valuable member of the Government.

The new code of conduct, issued by the Department of Agriculture, provides for a series of hygiene measures aimed at stamping out salmonella. They include a range of improved cleaning and disinfection methods.

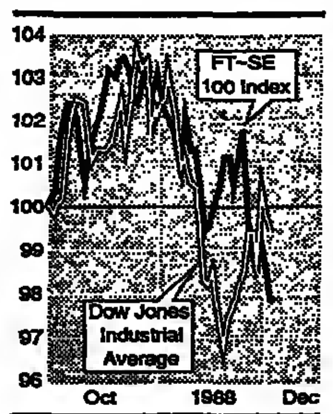
UK news, Page 11

THE LEX COLUMN

British Steel in the bull's eye

From the viewpoint of the British taxpayer, British Steel's debut must be regarded as the best possible outcome this side of Britoil or BP. For the serious investor too, the shares seem to have cost exactly what they were worth, and if the stags are out of pocket, they had clear warning. On the other hand, the market fundamentals may take some days to assert themselves; as was suggested by the equilibrium reached by the shares yesterday afternoon – untouched by a sharp recovery in the FT-SE – the mechanics of the issue have yet to sort themselves out.

For the institutions who took over half the issue, there is no incentive to sell the partly paid at a profit of 2¼p; and those who are underweight – foreign buyers especially – seem to have learned by experience not to drive the price up against themselves. Small investors will not be sellers until they get their allotment letters next week, and the more far-sighted buyer can reckon that with the stock sold at its cyclical peak, and with sterling strengthening daily against the D-Mark, there seems little risk of having to pay substantially more later on. It is always possible that the institutions will start to bid the yield down from 8 per cent, but with the overall market still deeply unsettled, there seems little incentive to take such a fundamental view on anything.



Misubishi Motors

In Japan, they do things differently. The contrast between British Steel and Mitsubishi Motors is poignant: the one on a yield of 8 per cent and a p/e of 4.9, on a first day premium of under 4 per cent; the other shooting to a premium of 70 per cent, despite a yield of just 0.6 per cent and a p/e of 92. In the face of Government exhortation to keep the Mitsubishi premium within bounds, the Tokyo brokers argue that the price was set almost a month ago. But it seems clear that Nikko pushed its marketing effort to the hilt, besides pursuing preferential allotment on a scale which drew muted protests from Mitsubishi itself. The result is an embarrassing reminder of the Recruit Cosmos affair – a perfectly normal Japanese flotation, after all, in terms of the scale of dealing profits, and only slightly unusual in the method of share allotment. It will be interesting to see whether talk of share offerings by tender comes to anything; one suspects it is too early to expect such transparency of the Japanese system.

William Collins

It has never been quite clear whether Mr Rupert Murdoch's real aim was to buy William Collins on the cheap, or to sell it expensively to a bidder spurred into action by his own rival offer. He may still manage the latter – though there is no sign of anyone else yet to get the auction properly under way. But the former goal looks distant indeed.

Control could presumably be managed without too much difficulty, at these or only slightly higher levels: with 41.6 per cent of the votes already, it cannot be that difficult to bring another 8.5 per cent of voting stockholders round to the Murdoch case. But outright ownership, with all the cash flow benefits that would bring, must be a different matter. Other publishing companies have managed to sell themselves on multiples which would suggest a price for Collins' voting shares at least 50 per cent above the current offer; and Mr Murdoch is surely unrealistic to expect shareholders to settle for so much less.

However, Collins may be equally unrealistic in claiming that Mr Murdoch has manufactured his concern over the company's management to serve the interests of his pocketbook. Considering the number of management defections from Collins recently, he cannot be the only concerned shareholder on the register.

Share stakes

If Lord Young wants to make the stock market more transparent, he could find better ways of doing it than by making investors declare holdings above 3 per cent. As the present 5 per cent limit does not give predators a particularly impressive platform from which to launch a bid, lowering it further would not make their lives a great deal more difficult. Meanwhile, friendly investors generally do not mind declaring a holding, and many already do so at levels far below 5 per cent. Only the largest institutions, for whom 3 per cent is a normal-sized stake, may be a little incovenienced by the sheer amount of notifying that they would be required to do.

On balance, the cost of obtaining the extra information may be even slighter than the benefit, so the change probably merits a place in the new companies bill. However, Lord Young would be better advised to tackle the obscure system of nominee holdings, or if that seems too radical, to make companies disclose holdings more speedily. The five days of anonymity that the present arrangements offer to bidders allows them to zoom up to 14.9 per cent before anyone gets to hear of it, leaving the market free to dream up pet theories about the buyer's identity. In the days when messages were delivered by cleft stick, five days may have been fair enough, but in the era of the fax machine it seems a bit excessive.

Unbundling

Shearson's new wheeze for dressing up equity and calling it debt is one of clearest demonstrations so far that the US tax breaks on corporate debt are in need of reform. The transaction leaves investors with three pieces of paper which together are almost identical to the share they started out with, while the company is left with a liability that is not significantly different either. Except, of course, in the vital respect that the company goes on paying the divdends as before, but gets tax relief as though it were paying out interest at a higher rate. Given the value of the tax benefit, Shearson had no trouble in finding four guinea pigs willing together to "unbundle" $5bn of equity. However, it may find persuading investors that the scheme is equally good value a bit more difficult. Even though the bundles contain a sweetener which protects investors if the common shares perform badly, tax payers who have to pay CGT on the exchange may prove almost as suspicious about the scheme as the taxman.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday December 6 1988

INSIDE

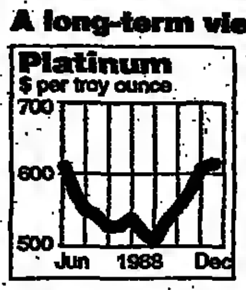
Bouygues builds up its defences

Mr Martin Bouygues, 36, has just been appointed deputy chairman of Bouygues, the large French civil engineering group, and looks set one day to succeed his father at the head of the company. In an interview with Paul Betts, he says the flurry of speculation which surrounded Bouygues' shares last summer had a positive effect on the group, strengthening its internal cohesion. Page 30

Nigerian woes for Paterson Zochonis

Paterson Zochonis, the UK-based trader which specialises in West Africa, yesterday warned that its interim profits would probably be lower than last year because of the weakness of the Nigerian currency, the Naira. The company also had problems in 1987 in Nigeria, which accounts for about 25 per cent of profits, but on that occasion it blamed the local level of consumer demand. Page 38

A long-term view of platinum



Platinum warrants are to be issued by J. Aron, the New York commodities dealer, giving speculators a way of taking a long-term view of the market for the first time. The price of the metal has been volatile but relatively high in recent weeks. Yesterday it touched $814.25 an ounce in London — the highest level for six months. The warrants can be converted between December 23 and June 23 1990 at $590 an ounce. Page 40

British farmers feel the pinch

A debate on UK farmers' declining incomes has been put firmly back in the spotlight by Mr Simon Gourlay, President of the National Farmers' Union. The combined effects of inflation, borrowing costs and higher sterling had imposed a crippling penalty on agriculture, he said. Every percentage rise in base rates now translated into 6 percentage points off the industry's already low net income, he claimed. Page 46

A snapshot of Sterling Drug

When Eastman Kodak, the US photographic giant, bought Sterling Drug early this year, the deal catapulted it into the pharmaceutical industry — and into a lot of criticism from analysts who argued that it had paid too much for a business with a modest discovery record. Mr Jack Thomas, who took over the helm at Sterling two months ago, has the tough and unenviable job of ensuring thatKodak's gamble succeeds. Page 28

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Hammerson	34	Willaire	39
		Zayre	28

Chief price changes yesterday

FRANKFURT (DM)			Marine Wendel	380	+ 20
Rises			Esso France	290	+ 11
Volkswagen	325.8	+ 7.1	**Falls**		
Nixdorf	299.5	+ 5	CSEE	560	− 29
BMW	524	+ 8.5	Telemech.	3700	− 174
NEW YORK ($)			**TOKYO (Yen)**		
Rises			**Rises**		
Dow Chem.	95⅞	+ 1⅜	Achilles	1239	+ 200
Gen. Motors	86	+ 2⅜	Tokai Carbon	1020	+ 105
Pfizer	57⅞	+ 1⅜	Kyushu El Pwr	3270	+ 270
Sara Lee	46	+ 1½	**Falls**		
Texaco	48	+ 1	Tokyo Sh'n Kogyo	1220	− 120
Falls			Roki Kasakusho	1390	− 100
Chemical Bnkg.	32½	− 1⅜	Mitsui High-Tec	1780	− 120
PARIS (FFr)					
Rises					
Epeda	1199	+ 146			

New York prices at 12.30.

LONDON (Pence)			Great Walker	314	− 8
Rises			Fed. Housing	231	− 27
British Steel	62¼	+	GUS A	979	− 8
Dobson Park	99	+ 3	LWT	156	− 4
Hammerson A	899	+ 12	Logica	356	− 10
Jaguar	276	+ 13	Medminster	110	− 8
Local London	450	+ 8	Norcros	310	− 10
Royal Insce.	362½	+ 5½	Scholes (G.H.)	256	− 10
Falls			WPP Grp.	566	− 7
AB Elect.	380½	− 2½	Ward White	223	− 8
Anglia TV	198	− 8			
Body Shop	518	− 22			

Large premium for Mitsubishi Motors offer

By Gordon Cramb

SHARES IN Mitsubishi Motors Corporation (MMC), launched on the Tokyo Stock Exchange yesterday in Japan's biggest private sector flotation, shot to an immediate premium of nearly 70 per cent over the offer price to give the company a market value of Y1,114bn ($9.16bn).

A wave of buying defied efforts by the Ministry of Finance to dampen the speculative fervour which has surrounded new issues in Japan this year. It emerged yesterday that MoF officials, after trying a number of ways to ensure that offer prices are pitched closer to a realistic market level, now favour a move away from fixed-price issues towards a system of competitive tender offers.

This follows the apparent failure of other recent measures to ensure companies an orderly début — and to help prevent a repetition of the country's Recruit Cosmos scandal over expedient share allocations. In particular, the MoF had urged securities houses involved in new issue underwriting to set the pricing high enough so that the first-day appreciation was kept to the region of 15 per cent.

Yesterday's outcome is likely to add to controversy over the way the MMC issue has been handled. The company itself last month added its voice to criticism from prospective investors that the stock was parcelled out too readily among brokers' favoured clients ahead of the official mid-November selling period.

Against an offer price of Y850, MMC shares closed yesterday at Y1,440. It was the day's volume leader with 43.8m units changing hands — representing more than half the 70.3m shares, or 9.1 per cent of the company, which were made available to the public in the issue.

Even so, this went only part of the way to satisfy buying orders which totalled some 288m shares, and it was early afternoon before an opening price of Y1,380 could be set.

In another attempt to smooth the arrival of new issues, the exchange had exempted first-day trading from its usual stop-limits on how much a share may move each session. Japan's Big Four stockbroking houses led by Nikko Securities, manager of the issue, were said to have imposed informal price ceilings of their own in accepting bids, but could not contain demand.

Lex, Page 26; World Stock Markets, Pages 49 and 52

New plan to retire companies' equity

By Anatole Kaletsky in New York

FOUR leading US corporations yesterday applied to convert a total of $5bn (£2.7bn) of their common stock into a new type of hybrid debt and equity security which could have significant implications for management and corporate finance practices around the world.

The issue of the new financial instruments, dubbed Unbundled Stock Units (or USUs) by Shearson Lehman Hutton, their inventor and underwriter, was hailed by some analysts on Wall Street as a possible alternative to leveraged buyouts, apparently providing a tax-efficient means for companies to retire some of their equity from the stockmarket at relatively low short-term cost.

American Express, Dow Chemical, Pfizer and Sara Lee, the four companies which yesterday applied to the Securities and Exchange Commission to issue the USUs, said they hoped to retire large portions of their common stock by issuing USUs.

Each company's common shares would be exchanged into security "bundles" of three components, to appeal to three different motivations among investors for holding stock.

The biggest component, called the Base Yield Bond, would pay an interest rate exactly equivalent to the common stock dividend currently being paid by the issuing company. The bonds would be issued at a deep discount to the par value at which the company would redeem them in 30 years. Effectively, the BYBs would be to a combination of interest-paying debentures and zero coupon bonds.

The second income-producing security in the USU bundle, to be called the Incremental Dividend Preferred Share (IDP), would pay its holders income equivalent to any increases in common-stock dividends over the next 30 years.

The final part of the package would be an Equity Appreciation Certificate (EAC), in effect an option, with an unusually long life-span of 30 years that would be convertible into the issuing company's common equity at a strike price substantially above its present level.

In 30 years all three components would automatically be bundled back together into one share of common stock.

Among the USUs' main attractions appeared to be the fact that they would transform part of the issuing company's dividend stream into tax-deductible interest payments.

From many investors' standpoint, however, converting common shares into USUs would also have big drawbacks. Apart from the loss of voting rights, investors who chose to convert their shares would have to pay tax on any capital gains, as if they had sold their shares for cash.

Lex, Page 26

TI sells silencer and tubes units for £141m

By Clay Harris

TI Group, the UK-based specialist engineering company which has undergone a radical transformation in the past two years, is to raise another £141m ($262m) by selling its European automotive silencer businesses and its Canadian tubes subsidiary.

TI is to sell Cheswick and Bainbridge, the silencer companies, for £110m to Arvin Industries, a US motor components group with ambitious plans for European market leadership. Standard Tube Canada will go to Ferrum, a Canadian tubing manufacturer, for C$69m (US$58m).

The disposals announced yesterday are in line with TI's strategy to concentrate only on specialist products in which it could establish world leadership. This was especially true in the automotive sector where manufacturers were looking for world suppliers and TI said it had decided against the necessary investment to develop the silencer business.

Arvin said yesterday it intended to be the European leader by the early 1990s in the original equipment and replacement market for exhaust systems, catalytic converters, suspension systems and tyre valves.

The US group's existing European operations include Gabriel, a Dutch-based distributor of shock absorbers, struts and catalytic converters and Amortex, a French maker of ride-control products. Its Schrader Automotive tyre valve subsidiary has a French factory, and Arvin has a West German joint venture on exhaust systems with Bosal International.

Cheswick is the leading UK maker of original equipment vehicle silencer systems; Bainbridge dominates the replacement market. They have a joint factory at Blackpool and plants in the Netherlands and Spain.

The two UK companies achieved operating profits of £12.2m on turnover of £105.6m in the first 10 months of 1988, according to management accounts. Standard Tube Canada, a maker of steel tubing, showed pre-tax profits of C$7.8m on sales of C$97.3m for the same period.

Since the beginning of 1987, TI has sold more than a dozen companies — including much of its original tubes business, Raleigh bicycles and domestic appliance brands such as Creda, Parkray and Russell Hobbs — for a total of more than £850m.

In return, it has spent more than £300m for sector-leading specialist businesses such as Bundy small-diameter tubing, John Crane mechanical seals and Thermal Scientific high temperature vacuum furnaces.

TI yesterday also announced the planned sale of two peripheral Thermal Scientific businesses to management for £4m.

Bridgestone pumps up the pressure

John Griffiths on the intense competition facing the world's tyre makers

Western tyre manufacturers have been jolted into accepting that Bridgestone of Japan is deadly serious about, and in a hurry to make good, its declared intention to depose Goodyear and Michelin to become the biggest player in the world's $40bn a year tyre industry.

Bridgestone's announcement last week of a $1.5bn investment in Firestone Tire & Rubber, less than nine months after buying the US group for $2.6bn (beating off a rival bid from Gruppo Pirelli of Italy in the process), has shaken Western tyre industry chiefs like Goodyear's chairman, Mr Bob Mercer. He had expected a longer digestion period before Bridgestone contemplated further significant expansion.

Instead, over the next three years Bridgestone is to spend $1bn in North America, mainly on increasing Firestone's tyre output at its plant in Wilson, North Carolina, by 30 per cent and at Joliette, Quebec, by 40 per cent. Some $300m is to be spent in Europe, notably on a 30 per cent capacity expansion at Firestone's Burgos plant in Spain (the other $200m is being spent in non-tyre sectors).

Only two months ago Mr Mercer, on a swing through Europe seeking to reassure investors about Goodyear's own relatively lacklustre performance, had seemed to take comfort in the fact that, while "Bridgestone eventually is after world domination of the tyre industry," the Firestone takeover would not provide the Japanese producer "with one bit of extra capacity" for Bridgestone's own tyres, except at the expense of cutting output of the much better known Firestone brand.

A *frisson* of concern is now running through the industry because the ambitious plans for Firestone come at a time when buoyant conditions in the world's motor industry have largely eliminated the over-capacity which had plagued the tyre industry in the early to mid-1980s, and during a wave of new investment by other players in the industry.

The fear is that all this new investment may start coming on stream at roughly the same time as both the North American and West European car and truck industries go into forecast cyclical downturns. There could thus be sparked off a fierce new round of competition between tyre makers, most of whom have begun making worthwhile profits again only relatively recently.

At the end of this time Pirelli hopes to account for abont 9m of the US' 130m units a year market — around a third of the world's total.

Margins among the leading players recently have been coming under pressure as they have jostled for increased market share before embarking on their capital spending programmes.

Goodyear is itself investing around $600m in expanding capacity in North America.

Groope Michelin, the secretive French group which over the past few years has remorselessly closed the gap between it and Goodyear — to the extent that they are now at virtual level pegging in tyre turnover terms — is investing some $700m in its North American operations and as mnch again in other plants world-wide.

Continental AG of West Germany, currently the world's fourth-largest tyre maker, is investing nearly $700m in the US, mostly in the General Tire operations it bought last year for DM1.1bn ($636m) and on a truck tyres joint venture with Yokohama and Toyo of Japan.

And Mr Ludovico Grandi, general manager of of the tyre division of Pirelli, which has already opened three new plants in Europe this year, last week disclosed that it is to invest up to $250m over the next four years in Armstrong Tire, one of the smaller US producers whicb it bought for $190m following its unsuccessful attempt to acquire Firestone.

Well over $6bn of new investment is going into the industry outside the Comecon bloc, and at least a dozen more plants are due to go on stream around the world in the next few years.

Despite the latest announcement and the meteoric progress of Bridgestone since the late 1970s, when its low-technology products were still regarded with contempt in the West, some of its main major rivals are still sceptical about the company on two fronts: how it will cope long-term in its US and European plants with the loss of the production cost advantages of its native Japan, and its underlying technological strength.

Mr Gunter Sieber, sales and marketing director of Continental, suggests that, although precise productivity comparisons are difficult, this advantage may be of the order of 20-25 per cent, but that outside of Japan "our productivity is not very inferior."

Pirelli's Mr Grandi is rather more blunt. Leading Western tyre makers are more than capable of competing, he insists.

"Inside Japan, they have a better situation than in the West — workers prepared to work longer hours, shorter holidays, easier access to finance and so on. That's been the key to their success. But as they follow their car producers into manufacturing operations in the US and Europe, they will lose most if not all of their cost advantages."

Goodyear's Mr Mercer professes to be particularly sceptical about Bridgestone's ability to stay abreast of the intense technology race going on in the industry. He insists that "technically Bridgestone cannot do it across the board. Goodyear, whose tyre research and development spending will be around $270m this year, "will not yield number one as long as we keep our research and development focused. Technologically, we've got a head start on them".

They are brave words; and it will take some time yet to establish whether they are justified. In the meantime, the share of the world market taken by the Japanese continues steadily to increase. With the Firestone acquisition Bridgestone and the three other main Japanese producers — Sumitomo (which owns Dunlop tyre operations in Europe), Yokohama and Toyo — control, according to Continental's estimates, some 28 per cent of the world market, compared with around 19 per cent for Goodyear and just over 18 per cent for Michelin.

It is a measure of the rationalisation that has already taken place that the world's top ten companies now account for nearly 85 per cent of the world market.

However, few senior tyre industry executives in the West expect the growing thrust from Japan to force any further, major concentration in the industry.

Pirelli's Mr Grandi says he expects that the leading groups will remain in broadly their present forms, subject to joint ventures and some minor acquisitions and realignments, "for the next 10 years or so," although Pirelli is making sure keep its own options open. It is regrouping all its tyre operations under a new Dutch-based company, Pirelli Tyre Holding BV, in which it plans to float a 20 per cent holding on the London, Amsterdam and New York stock exchanges by early 1990.

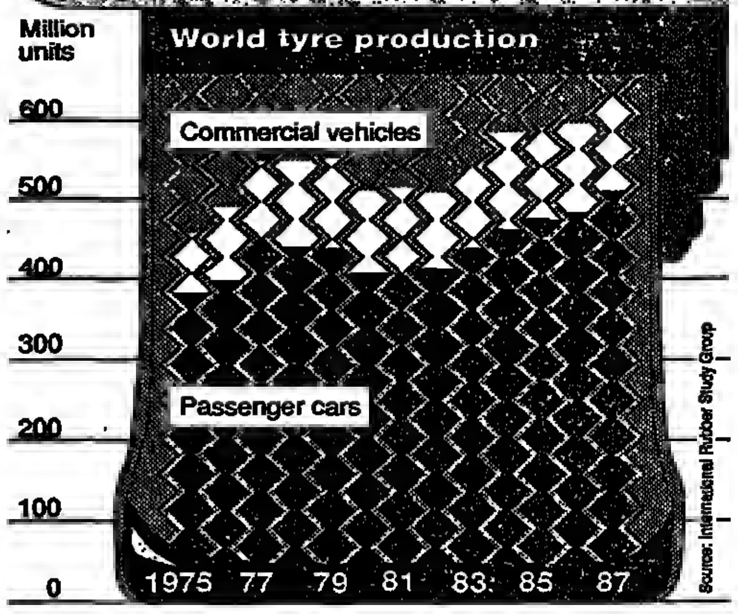
Continental's Mr Sieber also thinks collaboration rather than confrontation could be the best way forward with the Japanese, and points to Continental's venture in the US with Yokohama and Toyo as an example.

Among the assets the Japanese can bring to such ventures, it is suggested, are access to Far Eastern markets and good production organisation. In return, Western producers can offer tyre technology and engineering skills of a depth which the Japanese have yet to attain.

Mr Sieber insists that, from the West's point of view, the technology transfer process can be kept under control.

Tyre industry turnover: top ten
tyre operations only 1988 estimates

	$bn
Goodyear	8.00
Michelin	8.00
Bridgestone/Firestone	6.50
Continental/General Tire	3.80
Pirelli/Armstrong	3.40
Sumitomo/Dunlop	3.00
Uniroyal/BF Goodrich	2.90
Yokohama	1.70
Toyo	0.75
Cooper	0.65



Thomson to drop N Sea operations

By David Owen in Toronto and Max Wilkinson in London

INTERNATIONAL Thomson Organisation intends to sell its North Sea oil and gas interests in order to concentrate on its main businesses of information, publishing and travel.

Thomson has interests in 33 offshore blocks in the North Sea which include the Piper, Claymore, Scapa and Balmoral oil fields and six UK onshore blocks. Its share of remaining reserves in these four major fields totalled 75.3m barrels at December 31.

In 1987 Thomson North Sea had a turnover of US$423m with an operating profit of $71m. Its assets were valued in the parent group's annual report as $266m.

London analysts expect the assets to fetch between £200m ($371m) and £300m in the sale which will begin on January 3 and is expected to take three months.

The sale follows a general trend for groups to sell North Sea assets which they do not operate. RTZ recently sold its 29.9 per cent in London and Scottish Marine Oil, and Lasmo is now trying to sell its 25 per cent of Enterprise Oil.

The Thomson sale comes seven months after the Piper Alpha platform accident — the worst in the history of North Sea oil production — which killed 160 people and severely reduced the group's oil production.

Thomson said the accident made the decision to sell its energy assets "particularly difficult." The company, which has received related insurance proceeds of US$135m, said it would retain its share of responsibility for matters relating to this accident.

In the nine months ended September 30, Thomson made a net profit of US$160m, against $150m last year, on sales of $2.98bn, against $2.67bn.

INTERNATIONAL COMPANIES AND FINANCE

Zayre announces further shake-up after stores sale

By Roderick Oram in New York

ZAYRE, A medium-sized US retailer, has announced further steps to restructure its operations following the sale of its department store chain two months ago.

It will pay shareholders a special dividend of about $3.50 a share and it plans to merge with TJX, its highly successful retail clothing subsidiary which it owns 83 per cent and whose name it will adopt next year.

Zayre's stock slipped $¾ to $25⅞ on the news while TJX's rose by $¼ to $25¼. TJX's minority shareholders will receive 1.85 Zayre common shares ex-dividend for each of their shares.

The restructuring is an attempt by management to develop a successful retailing formula after a slump in after-tax profit margins from 2.6 per cent in 1984 to 0.5 per cent in 1987 while sales grew from $3.12bn to $6.19bn.

Two months ago Zayre sold its loss-making discount store chain to Ames Department Stores for $800m. Ames said yesterday it will close 77 Zayre stores early next year, predominantly in the southeastern US, to save $50m of losses a year. It believes it can return the remaining 318 Zayre stores to "their historic levels of profitability."

Zayre announced yesterday it would spin off its BJ's Wholesale Club and Home Club operations to its shareholders as part of the latest moves. Together they had sales of $1.64bn in the 12 months ended October 29, Zayre said. They will generate pre-tax earnings of $45m this year, estimated Mr Joseph Ellis, an analysts with Goldman Sachs.

Following the spinoff, Zayre-TJX would consist almost entirely of the T.J. Maxx and Hit or Miss chains of cut-price clothing stores and a small catalogue sales operation. TJX had sales of $1.82bn in the 12 months ended October 29.

In a recent report Mr Ellis said: "T.J. Maxx has been one of the most consistently successful companies in the retail industry in recent years." He estimated TJX as a whole it would earn pre-tax profits of $144m on sales of $1.9bn this calendar year.

T.J. Maxx buys brand goods from apparel merchandise for less than paid by department store chains. In common with other retailers known as "off-pricers" it negotiates a better price by not seeking advertising or markdown allowances and by specialising in end-of-season lines.

Coupled with a highly efficient operation it can sell at prices 20 per cent to 60 per cent below department stores", Mr Ellis estimates.

Once the restructuring is complete, Mr Ben Cammarata, chief executive of TJX, will replace Mr Maurice Segall as chief executive of the merged company.

Sharp rise at Navistar

By Karen Zagor in New York

NAVISTAR INTERNATIONAL, the leading US truck manufacturer, has been boosted by continuing strong demand for medium and heavy trucks. Fourth-quarter net profits increased to $82m, or 29 cents per share, against the $54m or 18 cents earned in the comparable period last year.

Sales in the fourth quarter to October were $1.1 bn, up from $1bn for the same period last year.

For the full year, Navistar had net income of $244m, or 84 cents per share, compared with $33m or 3 cents per common share, a year earlier. This year's profits came after an after-tax gain of $24m recorded in the first quarter from the settlement of certain Navistar International Corporation Canada pension liabilities and a $23m gain on the settlement of prior years tax audits.

Computer software standard talks fail

By Louise Kehoe in San Francisco

THE PROSPECTS for a single computer industry software standard that would enable different types and brands of computers to share data and software appear to be fading fast with the failure of two powerful industry groups to agree over the future of "open systems" software.

Yesterday *the Open Software Foundation*, an industry group backed by IBM, Hewlett-Packard, Digital Equipment, Groupe Bull Apollo Computer and others, said it had suspended talks with AT&T aimed at trying to resolve the dispute.

It had been hoped the talks, which have been going on intermittently since early this year, would lead to a compromise that would have enabled the industry to work toward a single standard for software.

Mr Henry Crouse, president of the Open Software Foundation, said the talks had been "non-productive." There did not appear to be any point in continuing talks at present.

AT&T, whose Unix computer operating system is at the centre of the industry dispute, *expressed surprise at Mr* Crouse's statement. "We did not know that the talks were off," it said.

Over the past week it has become increasingly clear, *however, that AT&T and its backers*, which include over 20 computer and software companies, were determined to develop their own "standard" for software.

The AT&T group, which last week gave itself the title Unix International, will base its software on the latest version of AT&T's Unix, while the Open Software Foundation will use IBM's AIX, a derivative of Unix, as the core of its software standard.

A computer operating system is a program that controls the inner workings of a computer. It defines the way in which data is handled by the computer and provides a set of instructions which operators and application programs can use to control the computer. Unix is one of the most widely used operating systems.

Slow progress for Kodak's Sterling gamble

Peter Marsh reports on the US photographic group's move into new product areas

MR JACK THOMAS has a tough and unenviable job. He is trying to ensure that Eastman Kodak, the US photographic giant, is on to a winner with its $5.1bn gamble aimed at taking the group into new product areas.

Mr Thomas is chairman and chief executive of Sterling Drug, the US pharmaceutical and consumer products company which Kodak bought in February. The purchase was part of the photography company's grand plan to diversify away from its traditional base.

The acquisition which *followed Sterling's rebuttal of an* approach by F. Hoffmann-La Roche of Switzerland, which had offered $4.2bn for the company catapulted Kodak into a starting position in the drugs industry, a field it had been preparing for since 1984.

The move, however, has been criticised by drug industry observers on the grounds that Kodak paid a very large sum for a company with no more than a modest reputation in drug discovery.

Mr Thomas admits that Kodak will probably have to wait until the mid-1990s, before it starts to make money from its investment.

Asked if the purchase price was justified, he answers with a slight grin: "I feel better about it now than when we did it."

Mr Thomas is an amiable 52-year-old who joined Kodak as a chemical engineer in 1961 and took the helm at Sterling in September.

He took this job after a series of mainly research-based positions at Kodak, one of which was in charge of the company's research laboratories. He also took over the company's life sciences group in 1984, when it was set up to spearhead Kodak's thrust into new biology-based products in health care and agriculture.

Until the Sterling acquisition, however, which immediately provided $2.3bn of annual revenue, the life sciences group was still in the product development stage and contributed nothing to Kodak's total sales last year of $13.3bn.

Mr Thomas went to some length *to defend Kodak's strat*egy in buying Sterling. He said much of Sterling's drug research was "sub-critical," but nevertheless offered a good base from which Kodak could expand into the pharmaceutical arena.

Mr Thomas is said by business associates to be non-dictatorial, hard-working and willing to learn about the drugs industry, a field in which he has had only limited experience.

Helping him has been the fact that the takeover has had a generally favourable response from Sterling's directors and employees – many of whom had bitterly resisted the initial Roche offer.

They felt the Swiss company, already an established player in the pharmaceutical business, might make severe job cuts and rationalise Sterling's research efforts if its bid succeeded.

Kodak, in contrast, has kept Sterling's 20,000 strong *workforce virtually intact, and has* kept on nearly all the company's research staff.

Jack Thomas: does not try to disguise difficulties

It is also to retain Sterling's household products division – which sells goods including cleaning materials and other consumer items and which it was widely assumed Kodak would want to sell after the takeover. The household products division contributed about $900m towards Sterling's 1987 sales.

The photographic giant has, however, restructured Sterling's upper management. This was partly brought on by the departure soon after the takeover of four key Sterling directors, including the chairman and president.

Despite this,says Mr *Thomas, there is a strong ele*ment of continuity in the management team. Of the 18 men in the reshuffled senior management group, 15 were with Sterling before the acquisition, and only three have come in from Kodak.

Criticism of the Kodak purchase has centred on Sterling's relatively lack-lustre activities in relation to prescription-only drugs. Sales of these products came to around $700m in 1987 – which put the company in about 40th position in the world prescription drugs league table.

The biggest selling product in Sterling's prescription drug portfolio is not a conventional medicine, but an imaging reagent called Omnipaque used in diagnostic systems.

Sterling had been spending $100m a year on health care research and development, which is small by drug industry standards. The company is generally reckoned, however, to have more to offer in the field of over-the-counter drugs which can be bought without a prescription.

Sales of these products, which include several large-selling painkillers,such as Bayer aspirin and Panadol, came to $700m last year, making Sterling one of the top US companies in non-prescription medicines.

Another plus point about Sterling, according to some analysts, is its generally well regarded global marketing network which takes in more than 100 countries.

Mr Thomas's strategy for Sterling has several broad thrusts:

● Increased research and development. Spending by Sterling in 1989 in this area will be $200m, twice the 1987 figure. Sterling's 1,600-strong research team is being supplemented by 200 researchers formerly at Kodak's life sciences group. This scientific battalion will work in new areas of heart, brain and cancer drugs.

● Licensing activities. Sterling, says Mr Thomas, is studying possible licensing deals through which the company could bring into its development programme drugs originated by other companies and which it could add to its products portfolio.

● Links with small companies. Mr Thomas says he hopes for useful results from Kodak's joint ventures with small bio-technology companies. The bio-technology companies include Cytogen, Immunex, Neorx and Enzon – all based in the US.

● Links with other Kodak activities. Kodak's expertise in chemical synthesis, which is closely linked with many of its photographic activities, could help in the general search for new drugs, says Mr Thomas. This expertise could also provide products which could evolve into items sold via Sterling's household goods division.

Mr Thomas does not attempt to disguise the difficulties ahead. Nonetheless he is hopeful of the company's prescription drugs business growing at a double-digit rate over the next few years.

"Kodak and its shareholders should start to see the benefit of the acquisition when the research pipeline starts to fill," he says. "But that is unlikely to be until the beginning of the next decade at the earliest."

Intel predicts recovery in orders next year

By Our Financial Staff

INTEL, a leading US maker of semiconductors, which last month warned of a significant drop in fourth quarter revenues and earnings, has predicted that orders will start to pick up next year.

The California-based group now says it expects orders to begin picking up in the second quarter of 1989.

Mr Jean Claude Corret, Intel vice-president, told a First Boston technology conference that the excess chip inventory which was hitting sales in the fourth quarter should be worked through in the first half of next year.

Intel's key 80386 microprocessor is used in the latest personal computers, and the group has adopted an aggressive strategy to ensure it remains the sole supplier of such chips.

Mr Corret said Intel was basing its prediction of an upturn on information gained from its 20 largest customers, which account for 80 per cent of its orders.

Last month Intel said that a reduction in orders for the 80386 microprocessor and related products would lead to a 10 per cent decline in fourth-quarter revenues, from the $785m reported for the third quarter.

It then added that earnings would also decline, to between 40 cents to 50 cents a share. In the year-ago fourth quarter the group reported net income of $95.5m or 55 cents a share on revenues of $572.5m.

"We have a good understanding of when (these customers) will finish adjusting their inventories," Mr Corret commented. "We know when people will begin to resume buying."

He added that for the first half of next year, Intel expected steady growth in orders for the 80386 chip, while those for the older 80286 chip would decline.

However, he said combined orders for the two should be well above 1988 levels.

IBM forms advanced workstation division

INTERNATIONAL Business Machines has realigned responsibilities in its IBM US personal systems business and formed a division responsible for advanced workstations, AP-DJ reports from New York.

Mr A. Cannavino, IBM vice-president, has been named president of entry systems, reporting to *Mr Richard Gerstner*, vice-president and general manager of personal systems, *Mr Cannavino was* president of data systems.

Mr William Lowe, formerly entry systems president, has resigned from IBM.

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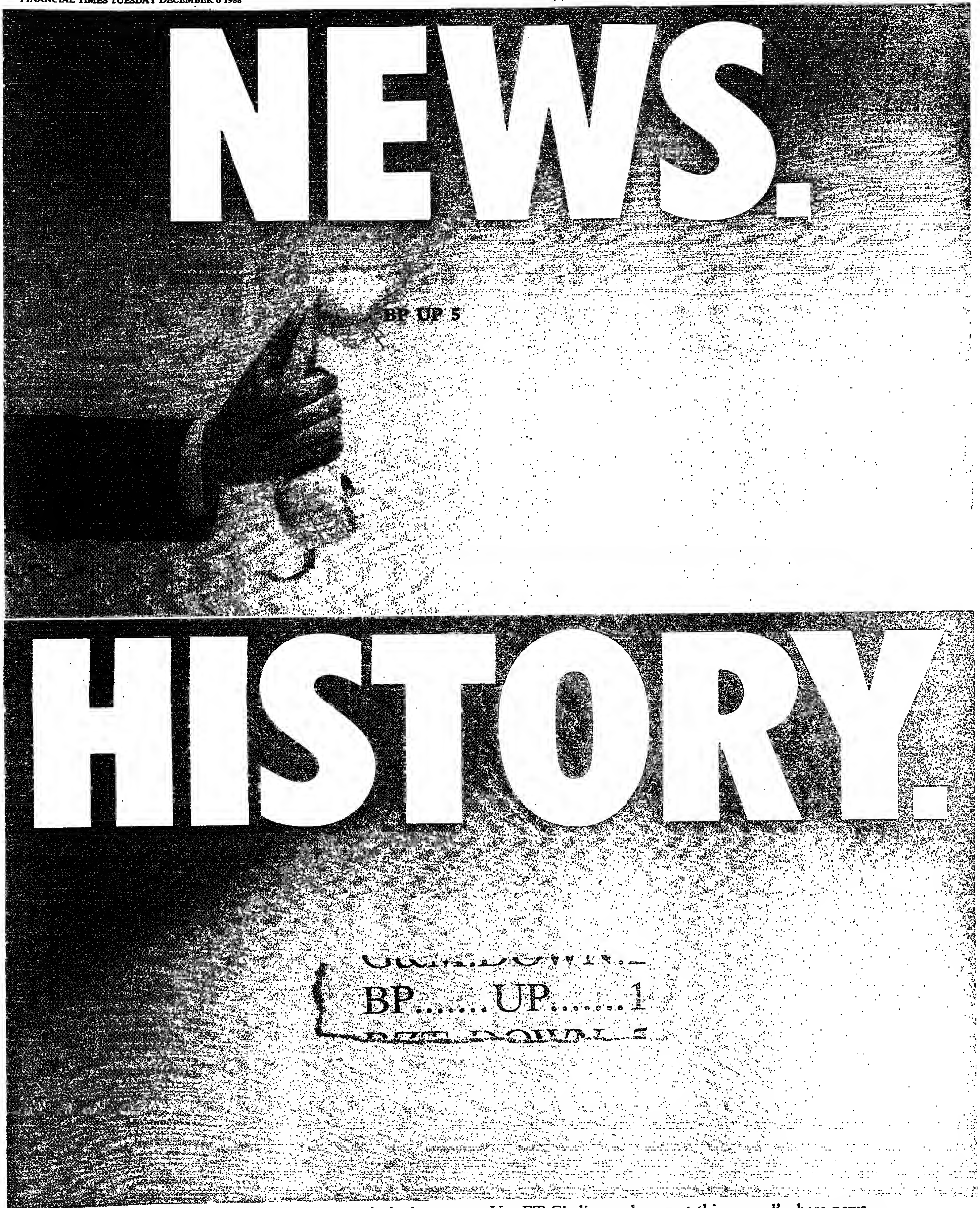

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INTERNATIONAL COMPANIES AND FINANCE

Bouygues builds on shares raid

Paul Betts on the French construction group's new-found optimism

Echoing the famous Edith Piaf hit, Mr Martin Bouygues says he has "no regrets" over the stock market storm this autumn which shook Bouygues, the company founded and transformed in 36 short years by his father, Mr Francis Bouygues, into the world's biggest construction group.

Its interests range from civil engineering, to water distribution and television.

"The stock market attack on our group is part of one of those inevitable cycles in the life of a company," the youngest son of Mr Francis Bouygues says with the same sort of down-to-earth philosophy his father displays.

He is speaking in the small corporate jet flying him to Casablanca to review progress of the huge mosque Bouygues is building for the King of Morocco.

"But it (the stock market attack) has had a very positive impact on our group," Mr Martin Bouygues adds, explaining that it not only strengthened the internal cohesion of the company but also prompted it to consolidate its shareholding structure to protect it from unwelcome speculators.

The raid by unidentified speculators also encouraged the 66-year-old chairman and founder of the company to address the difficult problem of his eventual succession. Until Mr Nicholas Bouygues, the eldest son, left the group after a clash with his father to form his own company three years ago, everybody regarded him as the most likely candidate to take over the reins.

Now, Mr Martin Bouygues, who has been running the group's Maison Bouygues catalogue home business as well as its Saur water distribution subsidiary, has been appointed deputy chairman, while his other brother, Olivier, has taken charge of catalogue home activity.

Aged 36, Mr Martin Bouygues now looks all set to succeed one day his father, even though he will have to prove himself in the coming months as the "dauphin" of a group which has always been synonymous with its forceful founder.

"What will happen to Bouygues after Francis is gone is the big issue facing the group," explains a Paris analyst familiar with the company. "Even though Francis's health now appears to have recovered from a period of exhaustion, the group seems to have finally got to grips with the problem."

The decision to appoint Mr Martin Bouygues as deputy chairman also reflects the group's intention to keep a Bouygues at the top.

"It is interesting to see other leading French entrepreneurs taking similar steps to prepare their succession," the analyst adds. "Jean Luc Lagardere of Matra and Hachette is doing it with his son and Gilbert Trigano, the founder of Club Mediterranee, seems to have the same idea."

Apart from having always worked closely with his father, Mr Martin Bouygues also appears to have the advantage of being a team player who seems well placed to achieve a delicate consensus among the various "barons" running key branches of the Bouygues business and who inevitably nurture ambitions of their own.

Above all, however, he is likely to give the group a sense of continuity and already seems to be laying down the line when he says: "Construction will remain the core business of this group. It's the root of our company and even though we plan further diversifications we are not about to abandon our roots."

The last months have seen a recovery in Bouygues' international construction business. The company, which is working on the Channel Tunnel, the construction of two big tower blocks in Hong Kong, and the Casablanca mosque, is expected to win the contract to build the Agadir airport in Morocco. And it has just formed a joint venture in the Soviet Union to build a hotel.

Bouygues is also studying a series of airport and other hotel projects in the Soviet Union. But Mr Michel Debresse, head of Bouygues' FFr30bn ($5.07bn) a year construction division, says the group's overall profitability remains "too low . . . boosting our level of profitability is a key priority."

Bouygues's profitability has hovered around 1 per cent of sales for some time. Profits this year are expected by analysts to total a little over FFr500m on sales of around FFr50bn. But the company, which faces one major outstanding construction liability in Algeria, where it has an outstanding claim of FFr1.7bn for a railway project, believes that all the components are now in place for a recovery in overall profitability. Apart from the recovery in the international construction sector, its new investments in the French roadworks sector are expected to start paying off this year.

Although the group, in Mr Martin Bouygues's words, "has no intention of letting diversifications swallow our core business, they remain very important." The group is now

Martin Bouygues: attack "had a very positive impact"

planning to expand its Saur water distribution activities, especially in the UK, where it has already bid for three statutory water companies and is now looking, according to Mr Martin Bouygues, at two or three other water groups.

But Bouygues' most ambitious and controversial diversification to date is undoubtedly its FFr1.5bn investment in TF-1, France's leading privatised television network.

Mr Martin Bouygues again has no regrets about the investment in TF-1, even though it has considerably raised the group's public profile and exposed it to the appetites of stock market raiders. Indeed, TF-1 was widely seen as the main target of the stock market attack on the company two months ago.

It also prompted Mr Robert Maxwell, one of Bouygues' partners in the television venture, to acquire a stake of just under 5 per cent in the construction group to defend his interests in TF-1 and support Bouygues, according to the British publisher.

But Bouygues claims the group never asked Mr Maxwell for help. Indeed, Mr Maxwell was subsequently deeply put out by Mr Francis Bouygues's decision to step down as chairman of TF-1 and appoint in his place Mr Patrick Le Lay, the network's managing director and a key member of the Bouygues management stable who has from the beginning adopted an American-style approach 1 by placing the priority on viewer ratings.

"We are not completely stupid in the cement industry," says Mr Martin Bouygues. "We felt TF-1 was a good business to be in and we intend to turn it into a very profitable popular family-orientated network."

If TF-1 has turned Bouygues into a much more speculative stock than in the past, it says it now controls with its traditional friendly allies, including Crédit Lyonnais and Compagnie Financière de Suez, about 45 per cent of the TF-1's capital and 50 per cent of the voting rights.

What makes Bouygues an even more difficult takeover target, according to Mr Martin Bouygues, is the group's peculiar personality. "As a company, we are a special case with our own special management and industrial approach. I don't see how you could simply come in and break this group up in pieces."

On the construction site of the Casablanca mosque there was a telling sign of Bouygues' highly individual approach. Outside the prefabricated administrative offices, a big poster painted in Bouygues' orange colours listed the company's "12 commandments."

Commandment four stated that at Bouygues "we work with fervour" and commandment six said: "We are a fighting community driven by a sense of challenge." Mr Francis Bouygues's own headquarters a corporate Versailles of glass and lakes in the outskirts of Paris, has also been named "Challenger." And at TF-1, Mr Bouygues has adapted his corporate philosophy by pinning everyday in the network's lifts all the latest TV ratings much to the irritation of some of the channel's superstars.

Heineken talks with Bols spark speculation

By Our Financial Staff

HEINEKEN and Bols, the two Dutch drinks groups, said yesterday they were discussing links in certain unspecified areas, raising speculation in Amsterdam that Bols may take control of its large rival's spirits unit.

The two companies said details would be announced later this week. No merger, or takeover by Heineken of Bols, is being considered, and analysts said planned co-operation between the groups is likely to involve their spirits divisions.

The deal is considered most likely to mean Bols taking control of Heineken's spirits unit, either through an acquisition or a joint venture. Mr Hans Smits, analyst at broker CLN Oyens en van Eeghen, said: "There is tremendous competition in the spirits market, where sales are contracting. I can well imagine both companies would find it profitable to integrate their spirits businesses."

BNP to take 51% stake in bank rescue package

By George Graham in Paris

BANQUE Internationale pour l'Afrique Occidentale (BIAO), the 135-year-old French bank which used to issue currency for Francophone West Africa, is to be bailed out by Banque Nationale de Paris (BNP), the largest state-owned bank.

BNP, which already had an indirect holding in BIAO through the Cofifa holding company, will take over with a direct 51 per cent stake, after a capital restructuring at the orders of banking supervisors.

The supervisory authorities have ordered BIAO to bring its provisions on sovereign debt risks up to 40 per cent of its exposure, at a total cost of around FFr600m ($101.5m), wiping out the bank's entire capital and reserves.

Cofifa, separately listed on the Paris second market with BNP as its main shareholder, could not take part in a capital increase, as it would have wiped out its own capital base.

BNP, which has been seeking for some time to shed its holding in BIAO but is thought to have been offered little choice by the authorities, will take up Cofifa's rights.

BNP and BIAO have already merged their Niger subsidiaries, and their overlapping African networks are now expected to be restructured more radically.

BIAO, whose largest subsidiary is in Nigeria and which hopes to expand in English-speaking Africa, will cut its staff in France and move to less opulent headquarters.

Commission Bancaire, the supervisory authority, has been gradually imposing tighter provisioning requirements on a number of banks installed in Paris. Most major banks have made provisions for more than 40 per cent of their sovereign debt risks.

Other big shareholders in BIAO include Banco do Brasil and Union Bank of Switzerland, with 20 per cent each.

Framatome to acquire US electrical group

By Our Financial Staff

FRAMATOME, the French nuclear plant and engineering group, has signed a definitive agreement to acquire Burndy, a Connecticut-based maker of electronic and electrical connectors, for $26 a share, or a total of about $325m.

Burndy said a Framatome subsidiary will begin a tender offer later this week which will be subject to, among other things, a minimum of two-thirds of the outstanding shares being tendered.

The US company, which had revenues last year of $284m and net profits of $11.6m, also said that its chairman, Mr David Dibner, and certain related shareholders had granted Framatome an option to purchase their 2.2m shares, or about 17 per cent stake, at the offer price.

In addition, Burndy has granted Framatome a so-called lock-up option to purchase up to 3.5m new shares.

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INTERNATIONAL COMPANIES AND FINANCE

Fletcher reveals 9.7% CSR stake

By Bruce Jacques in Sydney

FLETCHER CHALLENGE, New Zealand's biggest company, yesterday revealed itself as the second largest shareholder in CSR, the Australian building products, sugar and aluminium group.

Mr Hugh Fletcher, chief executive, made the surprise declaration of a 9.77 per cent CSR stake, worth about A$320m (US$278.7m). The holding, half of which was apparently purchased from Sir Ronald Brierley's Industrial Equity (IEL), ranks behind only the AMP Society, Australia's biggest institution, which controls about 15.3 per cent of CSR.

It is believed CSR management was told of Fletcher's holding about a week ago. Mr Gene Herbert, deputy managing director, said in London yesterday: "They sought our approval and we were happy for them to do it." The two companies see each other as potential joint venture partners particularly in future projects overseas.

Fletcher will not initially seek board representation, but the companies already have a common director – Mr Bryan Kelman, former CSR chief executive.

Fletcher's emergence ends mild uncertainty about CSR's share register caused by recent heavy turnover. Far from heightening takeover speculation, the news calmed the market yesterday and saw CSR shares fall 8 cents to A$4.26. Fletcher is probably showing a loss on its stake at this price.

CSR scrip has sold above A$5 this year, but has underperformed the market in recent months, mainly because of the its perceived exposure to asbestos-related legal claims.

Mr Fletcher said yesterday the CSR investment reflected a strategy of investing in industries where Fletcher had an empathy and which had sound long-term growth potential. CSR's two core businesses are building products and sugar.

"CSR has undertaken a major rationalisation of its activities over the past few years," Mr Fletcher said, "and now has strong competitive positions in all the business in which it operates. Because of our long association with CSR, we are familiar with those businesses and their people. The investment provides an excellent opportunity for Fletcher Challenge to participate in the building materials industry in Australia."

Barrack may double silicon project

Response to the Perth group's venture has proved positive. Kenneth Gooding reports

Response to a major silicon metal project – which will add about 4 per cent to current world supplies – planned by Barrack Mines, the Australian group, has been so positive the company already is considering doubling the size.

Barrack became involved in the A$120m (US$104.5m) project only a year ago but expects to have its plant at Kemerton, 165 km (102 miles) from Perth in Western Australia, in full production at an annual rate of 24,300 tonnes by 1990.

More than half the output has been committed to long-term contracts with US and European companies including Thyssen Schulte, part of the Thyssen Handeunion group, and Dow Corning of the US which has been working with Barrack on the development under a technology agreement.

Silicon is a light, lustrous grey metallic element which, once further processed or alloyed with materials such as aluminium, is used in about 4,000 everyday products ranging from car cylinder heads and engine blocks and furniture polishes to surgical aids and cosmetics.

Currently Australia does not produce silicon metal. The US is the major supplier with an output of 111,000 tonnes in 1986, or 17.5 per cent of the total, followed by Norway, 101,000 tonnes or 15.9 per cent.

Barrack's project is designed specifically to turn out chemical grade or metallurgical grade product.

All three main raw materials required are within reach of the Kemerton plant. White quartzite comes from Barrack's quarry at Moora, 345 km from Kemerton, and the reductant to be used is charcoal produced from a unique native hardwood: Jarrah.

The charcoal is low in ash, particularly low in impurities and its electrical properties are such that the two 18 megawatt furnaces to be used will have the lowest specific power consumption of any similar furnaces in the world.

Even so, Berrack will become the biggest private user of electricity in Western Australia.

Mr Devid Paice, managing director of Barrack, says: "The project will produce silicon in the lowest cost quartile of silicon producers thanks to the power cost structure, an important factor in silicon production, and quality and local availability of our raw materials."

He points out that the feasibility of doubling production at substantially lower incremental capital and operating costs is currently under review and adds that world prices for silicon have risen by about 20 per cent in the year since Barrack acquired the project.

At the initially planned capacity, the project will add about A$17m to annual pre-tax profits of Barrack which were A$16m in the year to June.

Even before the silicon project contributes, Barrack expects profit in the current financial year will be double that of the previous 12 months, thanks to a jump in its gold output and high copper prices.

Barrack started copper output from its Horseshoe gold mine, 920 km north of Perth, in February this year and will produce about 36,000 tonnes of copper concentrate a year.

Barrack is part of Mr Dennis Horgan's Barrsck House Group, which has a wide variety of interests. In the past four years Barrack Mines has brought three gold mines into production, built output up to 131,000 troy ounces this financial year and expects to reach 200,000 ounces by 1991-92.

Mr Horgan, in Europe in connection with the listing of Barrack Mine shares in Brussels yesterday, says the company will continue an aggressive gold exploration policy and spend A$9m this year in Australia and New Zealand, up from A$6m in 1987-88. This should result in Barrack developing a new gold mine project every two years – "and I can already see two more at least."

Santos in offshore expansion

By Bruce Jacques in Sydney

SANTOS, Australia's largest onshore petroleum producer, has advanced its stated aim of becoming a force in the country's offshore oil search by figuring prominently in new exploration permits awarded by the Federal and Northern Territory governments.

Santos is a member of three successful bidding consortiums for permits in Australia's most prospective offshore oil area, the Timor Sea, where at least two commercial fields have already been discovered. With the recent A$440m (US$383.3m) acquisition of Peko Oil, a key Timor Sea explorer, Santos is now involved in 10 out of the 12 permits in the area.

Mr Ross Adler, Santos chief executive, said yesterday the company now has an overall interest in about 20 per cent of the Timor Sea's 40,000 sq km permit area, including the producing Jabiru and developing Challis oil fields.

"The oil discovery success rate for the area is high and the area has been lightly explored by international standards," he said.

"The area's prospectivity has also been lifted by the performance of the Jabiru reservoir which has produced at rates significantly higher than originally estimated."

Mr Adler compared the Timor Sea's oil potential to that of the North Sea. "More than 500 wells have been drilled in the UK and Norwegian sections of the North Sea since the mid 1960s," he said.

"In the Timor Sea, which is one sixth of the North Sea area, about 30 wells have been drilled and 200m barrels of oil have been discovered so far. There are many undrilled prospects . . . and there is every indication that substantially more oil is yet to be discovered."

Aker, DnC seek support for sale of Saga stakes

By Karen Fossli in Oslo

THE BATTLE for Saga Petroleum, Norway's largest independent oil company, took a new twist yesterday when Aker and Den norske Creditbank, its two largest domestic shareholders, launched an attempt to gain support for the sale of their stakes to Total Norsk Marine, the Norwegian subsidiary of Paris-based Total-CFP.

Last month Aker, the large industrial group, and DnC agreed to sell their respective 20 per cent and 10 per cent Saga stakes to Total for NKr120 a share or a total of NKr960m ($148.4m).

This would have increased Total's stake in Saga from 5 per cent to 35 per cent. But Saga's board blocked the deal by refusing to amend the company's by-laws to increase foreign ownership in the company from 40 per cent to 60 per cent.

Aker and DnC have now made an offer to Saga's other Norwegian shareholders to participate in the sale in a bid to gain the backing needed to reverse this decision by Saga's board.

The two companies are offering to purchase 3/7ths of the stakes in Saga held by Norwegian shareholders for NKr120 a share, the same price they have agreed with Total.

Analysts said the move by Aker and DNC appeared to have a further motive – to tackle criticism from the Oslo stock exchange that they had received preferential treatment over other shareholders in Saga, with such a high premium on the current share price of NKr96.

"This will mean every Norwegian shareholder in Saga has an equal opportunity to sell," said the Oslo bourse yesterday.

Should the Aker/DnC initiative clear the way for Total's acquisition, the deal would then have to gain acceptance by Norwegian authorities.

Statoil board clears venture with Himont

By Karen Fossli

THE BOARD of Statoil, the Norwegian state oil company, has approved its participation in a NKr1.4bn ($216.4m) joint venture project with Himont, the US-based polypropylene subsidiary of Italy's Ferruzzi-Montedison group.

The companies have a two-phase plan to build a polypropylene facility in Antwerp, Belgium. The first phase calls for annual production of 150,000 tonnes while the second phase calls for later expansion by 300,000 tonnes.

To proceed, Statoil may have to clear two additional hurdles. The first one involves gaining acceptance from the general assembly, which is represented by Mr Arne Oeien, the Oil and Energy Minister.

Mr Oeien, however, may be reluctant one year ahead of a general election to put his stamp of approval on a project of such scale. He is more likely to endorse the project but send it to a vote in the Storting (parliament) where it could face trouble.

The Government is still smarting from Statoil's NKr6.8bn budget overshoot on the Mongstad refinery and terminal expansion project.

The blunder has prevented Statoil from paying the state a dividend for 1987 and 1988. Mr Harald Norvik, Statoil's chief executive, said in September that he was prepared for the company to experience poor financial results in the next two to three years.

A White Paper to be debated in parliament about Statoil's future role has been postponed until next spring. Statoil is seeking greater independence without being split up.

Isuzu Motors to buy finance unit's shares

ISUZU MOTORS has agreed to buy back before the end of 1988 most of the 51 per cent of Isuzu Motors Finance held by General Motors of the US for an undisclosed sum, Reuter reports from Tokyo.

An Isuzu official said the company, itself owned 41.4 per cent by GM, wants to use the finance unit to strengthen domestic sales and car leasing operations.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 5, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	53.0748	30.7751	43.7224
Albania	(Lek)	10.2130	5.4614	3.1668	4.4991
Algeria	(Dinar)	11.9267	6.3779	3.6982	5.2540
Andorra	(Fr Fr)	11.0150	5.8903	3.4155	4.8524
	(Sp Peseta)	210.20	112.4064	65.1782	92.5991
Angola	(Kwanza)	55.5065	29.6826	17.2113	24.4522
Antigua	(E Carr $)	5.0517	2.7014	1.5664	2.2254
Argentina	(Austral)	24.1288	12.9031	7.4817	10.6294
Aruba	(Florin)	3.3491	1.7909	1.0384	1.4753
Australia	(Aus $)	2.1295	1.1387	0.6603	0.9381
Austria	(Schilling)	22.68	12.1283	7.0325	9.9911
Azores	(Port Escudo)	266.90	142.7272	82.7596	117.5770
Bahamas	(Bahama $)	1.8700	1	0.5798	0.8237
Bahrain	(Dinar)	0.7050	0.3770	0.2186	0.3105
Balearic Is	(Sp Peseta)	210.20	112.4064	65.1782	92.5991
Bangladesh	(Taka)	58.30	31.1764	18.0775	25.6828
Barbados	(Barb $)	3.7631	2.0123	1.1668	1.6577
Belgium	(Belg Fr)	67.50c	36.0962	20.9302	29.7356
		67.80g	36.2566	21.0232	29.8678
Belize	(B $)	3.742	2.0010	1.1603	1.6484
Benin	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Bermuda	(Bermudian $)	1.8700	1	0.5798	0.8237
Bhutan	(Ngultrum)	27.80	14.8663	8.6201	12.2466
Bolivia	(Boliviano)	4.8085	2.5713	1.4910	2.1182
Botswana	(Pula)	3.4700	1.8556	1.0759	1.5286
Brazil	(Cruzado)	1118.58	598.1711	346.8465	492.7665
British Virgin Is	(US $)	1.8700	1	0.5798	0.8237
Brunei	(Brunei $)	3.6225	1.9371	1.1232	1.5958
Bulgaria	(Lev)	1.4956	0.7997	0.4637	0.6588
Burkina Faso	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Burma	(Kyat)	11.3269	6.0571	3.5122	4.9898
Burundi	(Burundi Fr)	268.9365	143.8163	83.3911	118.4742
Cameroon	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Canada	(Canadian $)	2.2175	1.1858	0.6875	0.9768
Canary Is	(Sp Peseta)	210.20	112.4064	65.1782	92.5991
Cp. Verde Is	(CV Escudo)	135.9469	72.6988	42.1540	59.8885
Cayman Is	(CI $)	1.5529	0.8304	0.4815	0.6840
Cent.Afr. Rep	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Chad	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Chile	(Chilean Peso)	466.37	249.3957	144.6108	205.4493
China	(Renminbi Yuan)	6.8989	3.6892	2.1391	3.0391
Colombia	(Col Peso)	619.54	331.3048	192.1054	272.9251
Comoro Is	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Congo (Brazz)	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Costa Rica	(Colon)	147.5284	78.8921	45.7452	64.9904
Cuba	(Cuban Peso)	1.4250	0.7620	0.4418	0.6277
Cyprus	(Cyprus £)	0.8463	0.4525	0.2624	0.3728
Czechoslovakia	(Koruna)	9.50c	5.0802	2.9457	4.1850
		16.54l	8.8449	5.1286	7.2863
		15.93t	8.5187	4.9395	7.0176
Denmark	(Danish Kroner)	12.4025	6.6323	3.8457	5.4636
Djibouti Rep	(Djib Fr)	330.00	176.4705	102.3255	145.3744
Dominica	(E Carrib $)	5.0517	2.7014	1.5664	2.2254
Dominican Rep	(D Peso)	11.8809	6.3534	3.6840	5.2338
Ecuador	(Sucre)	751.11o	401.6631	232.9023	330.8854
		886.85a	474.2513	274.9922	390.6828
Egypt	(Egyptian £)	4.338	2.3197	1.3451	1.9110
El Salvador	(Colon)	9.42	5.0374	2.9209	4.1497
Equat'l Guinea	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Ethiopia	(Ethiopian Birr)	3.8404	2.0536	1.1908	1.6918
Falkland Is	(Falk £)	1.00	0.5347	0.3100	0.4405
Faroe Is	(Danish Kroner)	12.4025	6.6323	3.8457	5.4636
Fiji Is	(Fiji $)	2.5602	1.3690	0.7938	1.1278
Finland	(Markka)	7.6000	4.0641	2.3565	3.3480
France	(Fr)	11.0150	5.8903	3.4155	4.8524
Fr. Cty/Africa	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Fr. Guiana	(Local Fr)	11.0150	5.8903	3.4155	4.8524
Fr. Pacific Is	(CFP Fr)	199.00	106.4171	61.7054	87.6651
Gabon	(CFA Fr)	550.75	294.5187	170.7751	242.6211
Gambia	(Dalasi)	12.6590	6.7695	3.9252	5.5766
Germany East	(Ostmark)	3.2250	1.7245	1	1.4207
Germany West	(DMark)	3.2250	1.7245	1	1.4207
Ghana	(Cedi)	431.85	230.9358	133.9069	190.2422
Gibraltar	(Gib £)	1.00	0.5347	0.3100	0.4405
Greece	(Drachma)	268.40	143.5294	83.2248	118.2378
Greenland	(Danish Krone)	12.4025	6.6323	3.8457	5.4636
Grenada	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
Guadaloupe	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Guam	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Guatemala	(Quetzal)	[illegible]	[illegible]	[illegible]	[illegible]
Guinea	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Guinea-Bissau	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Guyana	(Guyanese $)	[illegible]	[illegible]	[illegible]	[illegible]
Haiti	(Gourde)	[illegible]	[illegible]	[illegible]	[illegible]
Honduras	(Lempira)	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	(HK $)	[illegible]	[illegible]	[illegible]	[illegible]
Hungary	(Forint)	[illegible]	[illegible]	[illegible]	[illegible]
Iceland	(Icelandic Krona)	[illegible]	[illegible]	[illegible]	[illegible]
India	(Indian Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia	(Rupiah)	[illegible]	[illegible]	[illegible]	[illegible]
Iran	(Rial)	[illegible]	[illegible]	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Irish Rep	(Punt)	[illegible]	[illegible]	[illegible]	[illegible]
Israel	(Shekel)	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Ivory Coast	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Jamaica	(Jamaican $)	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Yen)	[illegible]	[illegible]	[illegible]	[illegible]
Jordan	(Jordanian Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Kampuchea	(Riel)	[illegible]	[illegible]	[illegible]	[illegible]
Kenya	(Kenya Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Kiribati	(Australian $)	[illegible]	[illegible]	[illegible]	[illegible]
Korea North	(Won)	[illegible]	[illegible]	[illegible]	[illegible]
Korea South	(Won)	[illegible]	[illegible]	[illegible]	[illegible]
Kuwait	(Kuwaiti Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Laos	(New Kip)	[illegible]	[illegible]	[illegible]	[illegible]
Lebanon	(Lebanese £)	[illegible]	[illegible]	[illegible]	[illegible]
Lesotho	(Maluti)	[illegible]	[illegible]	[illegible]	[illegible]
Liberia	(Liberian $)	[illegible]	[illegible]	[illegible]	[illegible]
Libya	(Libyan Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Liechtenstein	(Swiss Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	(Lux Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Macao	(Pataca)	[illegible]	[illegible]	[illegible]	[illegible]
Madeira	(Port Escudo)	[illegible]	[illegible]	[illegible]	[illegible]
Malagasy Rep	(MG Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Malawi	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(Ringgit)	[illegible]	[illegible]	[illegible]	[illegible]
Maldive Is	(Rufiya)	[illegible]	[illegible]	[illegible]	[illegible]
Mali Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Malta	(Maltese £)	[illegible]	[illegible]	[illegible]	[illegible]
Martinique	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Mauritania	(Ouguiya)	[illegible]	[illegible]	[illegible]	[illegible]
Mauritius	(Maur Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	(Mexican Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Miquelon	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Monaco	(French Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Mongolia	(Tugrik)	[illegible]	[illegible]	[illegible]	[illegible]
Montserrat	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
Morocco	(Dirham)	[illegible]	[illegible]	[illegible]	[illegible]
Mozambique	(Metical)	[illegible]	[illegible]	[illegible]	[illegible]
Namibia	(S A Rand)	[illegible]	[illegible]	[illegible]	[illegible]
Nauru Is	(Australian $)	[illegible]	[illegible]	[illegible]	[illegible]
Nepal	(Nepalese Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Guilder)	[illegible]	[illegible]	[illegible]	[illegible]
N'nd Antilles	(A/Guilder)	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	(NZ $)	[illegible]	[illegible]	[illegible]	[illegible]
Nicaragua	(Cordoba)	[illegible]	[illegible]	[illegible]	[illegible]
Niger Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Nigeria	(Naira)	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(Nor. Krone)	[illegible]	[illegible]	[illegible]	[illegible]
Oman	(Rial Omani)	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	(Pak. Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Panama	(Balboa)	[illegible]	[illegible]	[illegible]	[illegible]
Papua New Guinea	(Kina)	[illegible]	[illegible]	[illegible]	[illegible]
Paraguay	(Guarani)	[illegible]	[illegible]	[illegible]	[illegible]
Peru	(Inti)	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Pitcairn Is	(£ Sterling)	1.00	[illegible]	[illegible]	[illegible]
	(NZ $)	[illegible]	[illegible]	[illegible]	[illegible]
Poland	(Zloty)	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Escudo)	[illegible]	[illegible]	[illegible]	[illegible]
Puerto Rico	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Qatar	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Reunion Is. de la	(F Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Romania	(Leu)	[illegible]	[illegible]	[illegible]	[illegible]
Rwanda	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Christopher	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
St Helena	(£)	[illegible]	[illegible]	[illegible]	[illegible]
St Lucia	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
St Pierre	(French Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Vincent	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
San Marino	(Italian Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Sao Tome	(Dobra)	[illegible]	[illegible]	[illegible]	[illegible]
Saudi Arabia	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Senegal	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Seychelles	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sierra Leone	(Leone)	[illegible]	[illegible]	[illegible]	[illegible]
Singapore	($)	[illegible]	[illegible]	[illegible]	[illegible]
Solomon Is	($)	[illegible]	[illegible]	[illegible]	[illegible]
Somali Rep	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
South Africa	(Rand)	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Ports in N Africa	(Sp Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Sri Lanka	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sudan Rep	(£)	[illegible]	[illegible]	[illegible]	[illegible]
Surinam	(Guilder)	[illegible]	[illegible]	[illegible]	[illegible]
Swaziland	(Lilangeni)	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(Krona)	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Syria	(£)	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tanzania	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	(Baht)	[illegible]	[illegible]	[illegible]	[illegible]
Togo Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Tonga Is	(Pa Anga)	[illegible]	[illegible]	[illegible]	[illegible]
Trinidad/Tobago	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tunisia	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Turkey	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Turks & Caicos	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Tuvalu	(Australian $)	[illegible]	[illegible]	[illegible]	[illegible]
Uganda	(New Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
UAE	(Dirham)	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom	(£)	1.00	[illegible]	[illegible]	[illegible]
United States	($)	[illegible]	1	[illegible]	[illegible]
Uruguay	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
USSR	(Rouble)	[illegible]	[illegible]	[illegible]	[illegible]
Vanuatu	(Vatu)	[illegible]	[illegible]	[illegible]	[illegible]
Vatican	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela	(Bolivar)	[illegible]	[illegible]	[illegible]	[illegible]
Vietnam	(Dong)	[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-British	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-US	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Western Samoa	(Tala)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen	(Rial)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen PDR	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Yugoslavia	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Zaire Rep	(Zaire)	[illegible]	[illegible]	[illegible]	[illegible]
Zambia	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Zimbabwe	($)	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, December 5, 1988.

INTL. CAPITAL MARKETS

Dealers' attention turns to league-table ranking

By Norma Cohen

PRE-CHRISTMAS torpor is rapidly descending on the Eurobond markets, although a handful of new issues emerged.

Aside from the primary markets, attention has now focused on the all-important league tables which rank firms according to the volume of Eurobonds they underwrite each year.

According to one compiler of the tables, the places of the first five firms is not in doubt. But the figures show there are only $660m in new issues between the 13th and the sixth ranked firms as of last Friday, suggesting that competition this year is very tight.

In the case of the eighth and seventh ranked firms, J.P. Morgan and Banque Paribas, less than $1m divided the two.

Certainly, a new sobriety has over taken the Eurobond markets in the past year – far fewer issues are deemed to be mispriced or distributed badly. But that does not mean firms have abandoned the perennial jockeying to be seen as the leading figure in a highly technical and competitive business.

A record of leading new issues means much more than just status. Increasingly, issues are priced to be saleable only at their fees, meaning that institutions expect a discount from the issue price equal to the fees.

Under such circumstances, the only firm that can expect to earn fee income is the lead manager, which typically helps itself to a *praecipuum* – a fee off the top of other co-managers' fees. If a firm is limited to the role of co-manager, it can hope for little from the new issue business except for trading profits.

INTERNATIONAL BONDS

But the new issue business, while slow, is not dormant. Yesterday, IBJ Finance, a subsidiary of Industrial Bank of Japan, issued a $200m four-year Eurobond via its London-based securities subsidiary. The bonds, carrying a coupon of 9⅝ per cent, were priced at 101.45 to yield 41 basis points over Treasuries. Funds were believed to be swapped into floating-rate dollars, achieving funds some 15 to 20 basis points under London interbank offered rates.

Also in the primary market was a C$65m five-year Eurobond for City of Copenhagen, lead managed by Deutsche Bank Capital Markets. The entire sector has benefited recently from investor's distaste for US dollars, rising nearly a half-point on one day last week.

Dealers characterised the issue as somewhat tight, saying that the spread, estimated by them as 40 basis points over governments, should have been slightly higher.

But Deutsche Bank said it calculated the yield at 45 basis points over governments and said it had pre-placed a good part of the issue with institutional investors. The placement and the securities' AA+/AA-1 credit rating should work to overcome any investor concerns.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IBJ Finance Co.◆	200	9⅝	101.45	1993	1⅛/½	IBJ Int.
Nippon Stainless Steel♦	100	(4¾)	100	1992	1½/¾	Yamaichi Int.
Final terms fixed on:						
Sumitomo Rubber Ind.(a)♦◆	100	4½	100	1992	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
City of Copenhagen◆	65	10¾	101½	1994	1¼/⅝	Deutsche Bk.Cap.Mkts.
D-MARKS						
IKB International, S.A.◆	75	5½	99.75	1994	n/a	IKB
LUXEMBOURG FRANCS						
CECA**◆	300	7	100⅜	1990	n/a	BGL
YEN						
Kop◆	5bn	0	84.125	1993	1⅛/½	Mitsui Trust
PESETAS						
IFC(b)◆	10bn	11¼	99¾	1994	n/a	J.P.Morgan

♦ With equity warrants. ◆ Final terms. ** Private placement. (a)Coupon cut by ¼. (b)Matador bond.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93¼	93¾	−0⅛	−0⅛	9.99
Amer. Brands 8½ 92	150	*†95¼	95¾	0	+0¼	10.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Insurance 5½ 92	300	101	102½	+0⅛	+0⅛	5.07
Soc Cent Nuclear 7⅛ 95	150	103⅜	104⅛	+0⅛	−0⅛	6.47
Turkey 6⅛ 95	500	97½	98	0	0	6.93
Westlb. Finance 5 93	200	†99	99¼	0	+0⅛	5.23
World Bk. 6⅛ 97	600	100⅞	101⅛	−0⅛	+0½	6.00

Average price change... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102½	102¾	0	+0⅛	4.65
Belgium 4⅝ 94	45	98⅝	98⅞	−0¼	+0¼	4.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†101¼	101½	+0⅛	+0⅛	4.78
Asfinag 5 03	100	†100½	101½	−0⅝	−0⅛	4.90
B.F.C.E. 4½ 98	200	†98½	99¼	0	0	4.64
B.M.W. Fin.Neth. 5 13	150	†96½	96¾	0	0	5.25
Britannia B/S. 4¼ 94	100	†97	97¼	−0¼	−0⅛	4.80
CIR. Int. W/W 3 93	125	†96	98	−2⅛	−2⅞	3.72
Credit Lyonnais 4¾ 00	100	†97¾	98	0	−0¼	4.99
E.I.B 4⅝ 98	150	†99¼	99¾	0	0	4.69
Fletcher Chall. 4½ 98	150	†96½	97	0	0	5.32
Kobe City 4⅛ 98	150	†98¼	98½	0	−0¼	4.84
Leeds Perm. B/S. 4¼ 93	200	†97¼	98¼	0	+0¼	4.64
Malaysia 5¼ 98	100	†97	99	−0⅛	−0⅞	5.52
Maxwell Comm.Crp. 5 95	150	†100½	101	+0½	−0¼	4.86
Nationwide Ang.B/S. 4 93	200	†96½	96⅛	0	−0¼	4.84
Nippon Telg.&Tel.4⅛ 95	200	†98½	99	0	0	4.47
Oesters.Ktbk. 5 03	75	†99½	100⅛	−0⅛	−0¼	5.00
Rep.National Bk. 4 93	150	†96¼	96½	−0⅞	−0⅞	4.42
Thailand 4⅛ 95	200	†95¼	96¼	0	−0¼	5.36
World Bank 5 03	150	†101¼	101½	+0¼	0	4.86

Average price change... On day −0¼ on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 3 99 US	5/84	1106.	251⅛	252⅝	+1¼	0.14
Land Secs. 6¼ 02 £	6/87	6.72	97¼	98¼	+0¼	14.64
MCA INC 5½ 02 US	9/87	69.62	80⅛	81⅛	−0¼	25.78
Minolta Camera 2¼ 94DM	2/86	1004.	96¾	97¼	−0¼	19.40
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	138	139⅛	+0¼	5.45
Mitsui trust 2⅜ 01 US	10/86	1903.	142⅝	143⅜	+0¼	5.92
Next PLC 5¼ 03 £	11/87	4.3	97	98	0	208.27
Nishi Nipp.Bk. 2⅞ 03 US	4/88	804.	116¼	117¼	+0⅞	14.47
Omron Tateisi 2⅜ 02 US	4/87	1310.	210	211	−2⅛	−0.66
Primerica 5½ 02 US	4/87	66.75	64	65	0	53.76
Ranks Hovis 4¾ 03 £	1/88	3.5	108⅛	109⅛	+0¼	11.16
Redland 7¼ 02 £	1/87	5.4	90½	91½	0	22.54
Saatchi&Sachi 6¾ 03 £	†10/89	4.41	97¼	98⅛	−0¼	32.23
Texas Inst. 2¾ 02 US	†9/87	82.87	71¼	72½	+0¼	59.63
W.R. Grace 6¼ 02 US	9/87	42.12	80⅞	81⅞	−0¼	33.75

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem=Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Flemming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

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INTERNATIONAL CAPITAL MARKETS

GOVERNMENT BONDS

US Treasuries recover from falls

By Janet Bush in New York and Stephen Fidler and Norma Cohen in London

US TREASURY bonds stabilised yesterday, after Friday's sharp losses in response to stronger than expected employment figures in November, and by midsession were registering small gains.

Short-dated maturities were quoted around ⅛ point higher and long-dated issues were up by as much as ⅜ point. The Treasury's benchmark long bond stood ¼ point higher for a yield of 9.13 per cent.

There are no important economic indicators due for release this week and all market talk centres on the intentions of the US Federal Reserve and whether the central bank will match the recent sharp rise in short-term money market interest rates with an increase in the discount rate from 6.5 per cent.

There is a consensus that the Fed has already begun to tolerate a higher Fed funds rate, which has gradually drifted over the last two or three weeks from 8¾ per cent to 8⅝ per cent and above.

Some analysts believe the Fed is tolerating a Fed funds rate as high as 8¾ per cent. The funds traded at 8⅞ per cent at midsession.

The modest gains in the bond market have to be seen in the context of Friday's sharp falls. Gains were to be expected after those sharp fall but were limited by anticipation of a discount rate rise, perhaps before the meeting of the Federal Open Market Committee on December 14, and also by the latest purchasing managers' report, which showed no let-up in economic growth.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-17	+5/32	11.00	11.02	10.21
		8.750	9/97	91-22	+4/32	10.21	10.24	9.65
		9.000	10/08	97-20	+2/32	9.25	9.20	9.01
US TREASURY*		8.875	11/98	98-10	+9/32	9.14	9.20	8.90
		9.000	11/18	98-18	+10/32	9.14	9.21	8.96
JAPAN	No 105	5.000	12/97	103.2465	-0.200	4.49	4.68	4.72
	No 2	5.700	3/07	109.2904	-0.323	4.75	4.91	5.00
GERMANY		6.750	8/98	101.8750	-0.100	6.51	6.36	6.33
FRANCE	BTAN	8.000	10/93	97.7493	-0.038	8.57	8.55	8.40
	OAT	9.500	5/98	104.4000	-0.225	8.78	8.73	8.70
CANADA*		10.250	12/98	100.7500	-	10.13	10.15	9.89
NETHERLANDS		6.7500	10/98	101.7300	-0.120	6.58	6.52	6.36
AUSTRALIA		12.500	1/98	99.8516	-0.025	12.52	12.62	11.92

London closing, *denotes New York morning session
Month ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

THE UK government bond market posted modest gains of ¼ point or more – with the largest rises in shorter maturities – as the market was supported in lacklustre trading by the strength of sterling.

Nevertheless, as some traders pointed out, a strong currency is by no means an unambiguous benefit to the market.

Any Bank of England intervention to depress the currency, such as that reported yesterday, requires "sterilisation" to offset its impact on the money supply. This reduces the need for the Bank to buy in stock to cover the budget surplus.

Although they had little effect on prices, two sets of figures – showing a 2 per cent rise in final retail sales in October and a rise of £3.45bn in consumer credit in the month – did not offer investors much comfort.

THE JAPANESE government bond market showed resistance to further gains as the yield on the benchmark No. 105 bond failed to breach the 4.5 per cent level convincingly.

Expectations of a discount rate rise and worries yesterday about the health of Emperor Hirohito, which deteriorated over the weekend, limited gains. Trading in London was quiet.

Some houses were advising overseas investors to buy in the cash market, which is currently cheaper than the futures market.

The question of the next benchmark is still at issue, although if the market holds current levels or goes better the case strengthens for the replacement of the No. 105 (carrying a 5 per cent coupon) with the No. 111 (with a 4.6 per cent coupon). The two issues are currently trading with a 9 basis point differential.

ALL OVER Europe, but particularly in Germany and Switzerland, investors were said to be in retreat ahead of the year end.

In lethargic trading in West Germany, prices dropped by between ⅛ and ¼ point.

NEW ZEALAND government bonds slipped slightly, shrugging off a ¼ point rise in the prime lending rate, to 16.25 per cent, by two of the largest commercial banks.

The rise in the prime rate is the first formal reversal of the downward trend in the rate which began last year, from a level of 21 per cent.

The prime rate rise mirrors a 1 percentage point rise in wholesale market rates over the past month, which took the benchmark 10 per cent bonds due 1993 to a yield of 14 per cent. In addition, the key 90-day bill rate, a money market rate, has been rising steadily over the same period, to 14.65 per cent yesterday, from 14.15 per cent a month ago.

Matra and Hachette in perpetual note issues

By Our Financial Staff

MATRA, the French arms-to-electronics group, and Hachette, the French publishing house, are to issue $250m and $200m respectively of privately placed subordinated perpetual notes.

Mr Jean-Luc Lagardère, chairman of both companies, which are controlled by his MMB holding company, told a shareholders' meeting yesterday that the perpetual notes would be repackaged into 15-year notes, paying London interbank offered rate (Libor) plus 110 basis points. The funds raised would be considered capital rather than debt.

Morgan Stanley, the bank arranging the issues, said in London it was considering a similar issue for a Spanish borrower and was studying the applicability of the concept in other countries.

Other French industrial groups have recently launched similar issues.

They include the state sector companies Rhône-Poulenc and Compagnie des Machines Bull, where part of the sum raised was invested in zero-coupon US Treasury bonds. On maturity these ensure the repayment of the 15-year notes.

The Matra and Hachette issues are the first to be made for private sector groups.

Mr Lagardère said nearly all the issue had been placed with Japanese institutional investors.

A Morgan Stanley official said some Europeans had also shown interest in the issues. The line-up of investors would be finalised by the end of this week, but the exact amount to be invested in zero-coupon bonds had not yet been determined, he added.

Correction

Next Eurobond

A £100m convertible Eurobond launched in the summer of 1987 for Next, the UK retailing group, was lead managed by Salomon Brothers, not as stated in yesterday's International Bonds column. Credit Suisse First Boston has never lead-managed a convertible for the company.

NatWest to buy French broker

By David Lascelles

NATIONAL Westminster Bank is expected to announce the acquisition today of Sellier SA, the Paris-based stockbroking firm.

Sellier ranks among the top 15 French stockbrokers, with seats on both the Paris and Lyons stock exchanges.

The acquisition, which fits into NatWest's strategy of expanding its European investment banking activities, is the latest of a series made by foreign institutions since the liberalisation of the Paris Stock Exchange last year.

Norway acts on currency loans

By Karen Fossli in Oslo

NORWAY announced yesterday the details of a modest liberalisation of credit market policy.

For about 10 per cent of its limited companies (excluding financial institutions and insurance companies) it has abolished the requirement for a central bank licence for foreign currency loans, in an attempt to give those companies more accessible long-term capital with better terms.

Until yesterday, foreign currency loans were available from the central bank for companies whose income was at least 30 to 40 per cent in foreign currency. Licences were granted on a case-by-case basis.

To qualify under the new policy, companies must have a minimum share capital of NKr500,000 ($77,300) and must have published an annual report as recently as 1987.

The market welcomed the Government's gesture but analysts said it stopped short of providing a solution to companies' inability to raise fresh capital, in that so few qualify to tap the international capital market.

However, Finance Ministry and central bank officials said yesterday there was scope for including more companies and for qualifying more banks to undertake such transactions.

Currently nine banks can give foreign currency loans. Central bank officials suggested that the share capital requirement could also be reduced to NKr300,000 after a few months. One reason for the NKr500,000 requirement was to exclude private consumers and to see how the new policy would work before completing its design.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday December 5 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Dec 2: Index No.	Thu Dec 1: Index No.	Wed Nov 30: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (209)	765.57	-0.3	11.66	4.46	10.60	24.06	767.53	777.88	786.47	640.81
2	Building Materials (28)	933.06	-0.5	13.54	4.84	9.18	29.21	937.84	954.75	972.39	811.26
3	Contracting, Construction (39)	1437.20	-0.8	13.60	4.21	9.59	46.04	1448.22	1473.74	1498.66	1199.65
4	Electricals (11)	2310.48	-0.4	9.30	4.89	12.99	76.55	2319.37	2340.60	2353.78	1861.97
5	Electronics (30)	1693.82	-0.7	10.76	3.74	12.04	43.59	1705.41	1721.89	1719.89	1393.41
6	Mechanical Engineering (55)	404.89	+0.4	11.30	4.52	10.81	13.59	403.42	409.27	414.57	329.21
8	Metals and Metal Forming (7)	454.77	-0.7	10.89	4.47	11.37	13.69	457.85	471.38	483.52	389.60
9	Motors (16)	264.04	+0.4	12.75	5.07	9.06	9.80	263.01	268.24	271.78	224.41
10	Other Industrial Materials (23)	1300.74	+0.2	10.23	4.73	11.53	44.22	1298.74	1309.38	1327.83	1127.98
21	CONSUMER GROUP (187)	1015.53	-0.5	10.00	4.02	12.45	27.90	1021.12	1028.39	1039.87	945.83
22	Brewers and Distillers (21)	1121.31	-0.4	11.01	3.73	11.38	24.18	1126.21	1130.97	1134.58	912.70
25	Food Manufacturing (21)	917.87	-0.6	9.74	4.15	12.96	26.17	923.17	924.05	927.65	758.34
26	Food Retailing (16)	1769.89	-1.3	10.03	3.87	13.12	46.95	1793.99	1800.01	1826.33	1909.40
27	Health and Household (12)	1777.51	-0.2	7.38	2.85	15.14	40.69	1780.95	1793.97	1798.64	1706.12
29	Leisure (31)	1351.99	-0.5	8.80	3.81	14.55	35.06	1358.97	1365.66	1376.98	1006.76
31	Packaging & Paper (17)	523.84	+0.2	10.72	4.30	11.60	16.19	522.58	528.99	535.39	446.31
32	Publishing & Printing (19)	3245.06	—	9.26	4.43	13.47	106.59	3245.51	3296.44	3345.66	2940.15
34	Stores (34)	681.46	-1.0	12.46	5.03	10.55	23.22	688.28	693.71	718.07	770.92
35	Textiles (16)	449.50	-0.4	15.44	6.23	7.76	18.17	451.31	460.39	478.46	542.13
40	OTHER GROUPS (92)	881.87	-0.2	11.60	4.69	10.45	24.69	883.64	897.10	895.60	766.80
41	Agencies (19)	1825.00	-0.1	8.61	2.71	14.62	20.98	1825.73	1831.06	1857.78	884.54
42	Chemicals (22)	999.84	-0.2	12.74	5.26	9.42	41.34	1001.60	1004.75	1004.38	956.07
43	Conglomerates (12)	1239.98	-0.1	10.85	4.63	10.56	25.26	1240.83	1252.16	1265.51	1031.26
45	Shipping and Transport (12)	1851.99	-0.5	12.05	5.07	10.05	62.40	1860.03	1878.10	1893.79	1592.84
47	Telephone Networks (2)	991.34	+0.2	11.05	4.74	10.97	20.38	989.27	997.15	998.75	823.40
48	Miscellaneous (25)	1147.53	-1.0	12.40	4.70	9.18	40.53	1158.86	1176.38	1186.22	1043.82
49	INDUSTRIAL GROUP (488)	927.84	-0.4	10.95	4.32	11.33	26.67	931.32	939.88	948.75	824.89
51	Oil & Gas (12)	1694.37	+0.4	10.92	6.60	11.72	76.82	1688.28	1701.67	1700.80	1553.14
59	500 SHARE INDEX (500)	992.99	-0.3	10.94	4.63	11.38	30.89	995.71	1004.60	1013.38	886.63
61	FINANCIAL GROUP (124)	676.32	-0.2	--	5.27	--	25.49	677.43	683.57	689.53	573.37
62	Banks (8)	666.65	-0.5	21.26	6.51	6.51	31.13	669.85	674.51	681.51	591.16
65	Insurance (Life) (8)	916.47	+0.3	--	5.79	--	39.81	913.76	921.40	926.84	843.77
66	Insurance (Composite) (7)	498.81	+0.1	--	6.27	--	24.04	498.47	503.98	506.28	457.43
67	Insurance (Brokers) (7)	888.99	—	9.85	7.28	12.69	46.87	889.37	905.21	911.11	759.54
68	Merchant Banks (11)	317.15	-0.7	--	4.73	--	18.15	319.25	321.95	326.10	318.41
69	Property (52)	1266.03	—	5.56	2.78	22.98	21.81	1265.44	1279.40	1293.61	851.95
70	Other Financial (31)	352.98	-0.5	9.97	5.59	12.53	14.72	354.65	356.93	358.40	347.49
71	Investment Trusts (76)	902.88	-0.6	--	3.38	--	19.78	908.15	913.65	919.80	742.87
81	Mining Finance (2)	553.19	+0.1	11.05	3.78	10.00	15.67	552.60	560.58	560.58	401.59
91	Overseas Traders (8)	1315.58	-1.7	8.92	4.41	13.00	44.98	1338.22	1351.02	1361.95	873.71
99	ALL-SHARE INDEX (710)	914.84	-0.3	--	4.48	--	29.10	917.38	925.65	933.45	883.05

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Year ago
FT-SE 100 SHARE INDEX ♦	1761.6	-3.4	1767.9	1747.3	1765.0	1778.7	1792.4	1786.9	1781.5	1598.4

FIXED INTEREST

	PRICE INDICES	Mon Dec 5	Day's change %	Fri Dec 2	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	118.17	+0.07	118.47	0.38	10.58
2	5-15 years	134.64	+0.16	134.43	-	11.64
3	Over 15 years	146.39	+0.12	146.22	-	13.10
4	Irredeemables	169.40	-0.13	169.62	-	13.62
5	All stocks	132.08	+0.12	132.05	0.13	11.57
	Index-Linked					
6	5 years	130.40	+0.11	130.25	-	1.81
7	Over 5 years	128.08	+0.29	127.71	-	2.96
8	All stocks	128.05	+0.27	127.70	-	2.85
9	Debentures & Loans	116.94	+0.01	116.92	-	11.28
10	Preference	86.33	-0.21	86.51	-	6.31

	AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 5	Fri Dec 2	Year ago (approx.)
	British Government				
1	Low	5 years	10.40	10.43	8.51
2	Coupons	15 years	9.55	9.56	9.42
3		25 years	9.09	9.09	9.26
4	Medium	5 years	10.80	10.82	9.14
5	Coupons	15 years	9.76	9.78	9.61
6		25 years	9.29	9.30	9.51
7	High	5 years	10.95	10.97	9.22
8	Coupons	15 years	9.89	9.91	9.75
9		25 years	9.33	9.33	9.55
10	Irredeemables	†	8.94	8.93	8.98
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.46	3.50	2.53
12	Inflation rate 5%	Over 5 yrs.	3.68	3.70	3.73
13	Inflation rate 10%	5 yrs.	2.29	2.33	2.85
14	Inflation rate 10%	Over 5 yrs.	3.52	3.53	3.79
15	Debs &	5 years	11.29	11.32	10.58
16	Loans	15 years	11.08	11.08	10.56
17		25 years	10.86	10.83	10.56
18	Preference	†	10.37	10.33	10.57

§Opening index 1767.9; 10 am 1762.0; 11 am 1760.3; Noon 1749.4; 1 pm 1747.6; 2 pm 1751.1; 3 pm 1751.1; 4 pm 1759.3; 4.05 pm 1760.3
(a) 9.00am (b) 1.14pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	9	20
Corporations, Dominion and Foreign Bonds	10	6	35
Industrials	217	742	622
Financial and Properties	82	267	321
Oils	25	34	47
Plantations	2	3	8
Mines	50	27	113
Others	40	117	92
Totals	508	1,205	1,258

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid Up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	-	7	3	Amalgamated Fin. Wrrnts.	5		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
213	Nil	-	21pm	5pm	[illegible] Group 10p	[illegible]	[illegible]
175	Nil	-	28pm	2½pm	Raines Group 10p	5pm	+1
5	Nil	-	10½pm	1pm	SelecTV 1p	6½pm	-½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. n Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¢ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ¥ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Dec 54
- Last Dealings Dec 16
- Last Declarations Mar 96
- For settlement Mar 20

For rate indications see end of London Share Service

Calls in Lonrho, PML, BP, Bula Res, Mowat Grp, Sears, Telemetrix, BSR Int, Vickers, Starkie, Unigate, Davy Corp, York Trust, Barratt Dev, FKI, Br Steel, McAlpine, Cowie (T), Johnstones Paints. Put in Charterhall. P/C in Br Steel.

Norcros advances 18% to £29.1m

By Clay Harris

NORCROS, the industrial manufacturing group, yesterday unveiled a 42 per cent fall in first-half operating profits at the UBM builders' merchant subsidiary it sold last week to Meyer International, the largest UK company in the sector.

The decline to £3.44m (£5.98m) at UBM held Norcros to an 18.3 per cent rise in profits to £29.1m (£24.6m) for the six months to September 30. Group turnover crept ahead by 2.4 per cent to £334.8m (£327m).

Norcros shares closed 11p lower at 309p.

Mr Michael Doherty, chief executive, said UBM's poor results reflected the costs of expansion and re-organisation as well as comparison with a previous period which included a large overseas contract.

Norcros repeated its contention that the exchange of UBM for Meyer's Crosby door and window businesses and £54m in cash would not cut earnings and would remove the conflict of interest between manufacturing and distribution.

In the first half, the building products division, which Crosby will join, made the most progress of any Norcros manufacturing activity with a 78.6 per cent operating advance to £6.43m (£3.6m), although the property contribution nearly doubled to £8.65m (£4.34m).

Ceramics, centred on the H&R Johnson tiles group, moved ahead 23.5 per cent to £8.51m (£6.89m), including a profit of nearly £1m on the disposal of an Australian factory. Print and packaging slipped 1.4 per cent to £6.3m (£6.39m), as the result of adverse exchange-rate movements.

On earnings per share 11.9 per cent up at 14.1p (12.6p), the interim dividend is increased 25 per cent to 5p (4p), partly to reduce disparity with the final.

● COMMENT

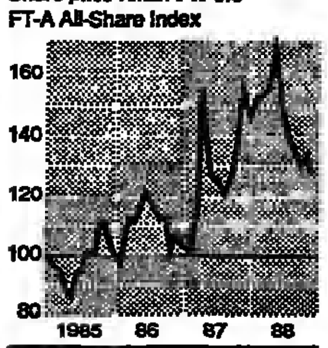
Reaction to worse-than-expected interim figures was not helped by a moderately bearish presentation to analysts. UBM was one thing: everyone knew of the pressure on margins from the sheds and welcomed last week's deal even without guessing the full extent of the damage. But print and packaging was another: the one sector which should be resistant to cyclicality as long as product development allowed a competitive lead to be maintained. Yesterday, the bad news was two-fold: the Japanese are beginning to match in some areas and a 5 per cent growth rate was deemed satisfactory.

Michael Doherty: poor UBM results reflect expansion costs

Doubts about consumer demand, and how it will be reflected in the number of bathrooms and kitchens tiled, only added to the gloom. Norcros will now be fortunate to achieve £70m pre-tax for the full year, putting the shares on a prospective p/e of less than 9.

Norcros

Share price relative to the FT-A All-Share Index



Assuming another 1p on the final dividend, the shares stand on a prospective yield of nearly 7 per cent. If the latter figure passes the former, look out for speculative action. Otherwise, the shares are best avoided, for the underperformance against the market is not yet over.

Cautious Caradon over £15m

By David Waller

CONTINUED STRONG demand in the repair, maintenance and improvement sector of the building products trade helped Caradon increase pre-tax profits by 71 per cent to £15.4m in the half year to October 2.

Mr Antony Hichens, chairman, said he was confident of the outlook for the current financial year. But he warned that prospects for 1989 were clouded by the uncertainties associated with higher interest rates; he told analysts that the company had drawn up its budgets for next year on the basis of zero volume growth across the range of its businesses.

Profits growth would come from a continued programme of cost cutting and improving production efficiencies. To this end Caradon has embarked on a capital investment programme which will absorb more than £20m in the current financial year.

No divisional breakdown was given yesterday. Growth came from buoyant sales of branded products such as Twyfords bathrooms, Mira showers and Terrain plastic drainage systems. Everest, the double-glazing company acquired from RTZ in May, made a four month contribution.

Mr Hichens said that a new management team was in place at Everest, and was making vigorous efforts to lop the cost base. He thought it unlikely that the full rationalisation benefits would show through until the next financial year.

Turnover rose 58 per cent to £129.8m. Earnings per share climbed 39 per cent to 17.2p and the interim dividend is raised to 3.5p (2.5p).

● COMMENT

Given the building boom, yesterday's figures from Caradon should not have been anything other than impressive, and they duly were. But analysts were understandably eager to hear more about the future than the past. The prognosis is favourable: Caradon is well managed, it has negligible borrowings, it is exposed to the repair, maintenance and improvement side of the building trade — and it has the benefit of some powerful brand names like Everest and Twyfords. As such, it should suffer less than many of its competitors from the inevitable contraction of business in an era of high interest rates. The fall-off in sales growth should be more than countered — in profits terms, that is — from the cost reductions and efficiencies to be squeezed out of all the businesses, and particularly out of Everest. After £34m pre-tax in the current year, profits should rise to £43m in the next. Up 4p to 322p yesterday, the shares are sitting on a multiple of 8.3 to the end of 1989, putting them on a deserved 15 per cent premium to the sector.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
ACAL §	int	1.35	-	-	-	-
Alexon Group	int	4†	Feb 3	2.5	-	8
Amer Business	int	0.7	-	0.6	-	1.7
Beaverco §	int	1.9	Jan 30	1.7	-	5.7
Brown & Tawse	int	2.85	Feb 15	2.4	-	6
Caradon	int	3.5†	Jan 27	2.5	-	8
Clayhithe	int	1.5	Feb 6	0.75	-	3
Dobson Park Inds	fin	3.6†	Feb 20	3.31	5.5	5.21
Govett Amer End	int	8.75‡♠	Dec 10	-	-	-
Leigh Interests	int	2.02†	-	1.83	-	5.65
Lexicon	fin	0.25‡	-	0.25	0.25	0.25
Morris Ashby §	int	1.7	Mar 1	-	-	-
Norcros	int	5	Feb 6	4	-	14.4
Reject Shop §	int	1.05	Jan 23	-	-	-
3i Group	int	3	-	4	-	14.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♣Third market. ‡US cents. ♠Gross throughout.

Hammerson has lost its way, says Rodamco

By Nikki Tait

RODAMCO, the Netherlands-based property investment company which is making a £1.3bn bid for Hammerson, Britain's third largest property group, yesterday accused its target of lacklustre growth over the four years to the end of 1987.

It also charged Hammerson with missing opportunities for profitable property management on the international front and of failing to manage adequately its currency exposure.

"Until some five years ago, Hammerson had a deserved reputation for successful property investment and development," said the bidder in its formal offer document, posted yesterday.

"Since then, during a period of buoyant growth in the UK property sector, Hammerson has lost its way and has failed to take full and profitable advantage of an active market," maintained the document.

The document went on to point out that, on the key question of the Hammerson property valuation, the company's own broker recently forecast that net asset value by December 1988 would be 850p a share.

The forecast, it added, was before deduction for contigent tax liabilities and was made on October 21.

However, the offer document brought a sharp response from Hammerson which said that it added nothing, and that the board considered the bid an irrelevant interference with Hammerson's normal business activities.

"Rodamco has hopelessly misjudged the value of our properties," said Mr Sydney Mason, the chairman of Hammerson, adding, "it should withdraw its offer and look elsewhere."

In the market, Hammerson shares remained well above the offer price — generally regarded by analysts as a sighting shot, ahead of any full revaluation by Hammerson.

The "A" shares closed at 899p, against a offer price of 780p.

STC launches agreed $168m offer for Computer Consoles

By Hugo Dixon

STC, information technology group, yesterday made an agreed $168m (£90m) bid for Computer Consoles, specialist US telecommunications company.

The acquisition is intended to form a major part of STC's strategy for telecommunications markets in the 1990s and beyond.

STC is bidding $12.8 a share. Computer Consoles has granted STC an option to purchase 15 per cent of its authorised but unissued shares as well as a 12 per cent block held by the management and directors.

Computer Consoles achieved pre-tax profits of $12.2m and earnings per share of $0.86 in 1987. In the first nine months of this year it made pre-tax profits of $11.2m. Net assets are approximately $43m.

The US group's speciality is in the design of software and systems for what are known as "intelligent networks" — expected to become an increasingly important feature of the telecommunications scene from the middle of the next decade.

STC is already gearing itself up to address this market in association with its minority shareholder, Northern Telecom of Canada.

An intelligent network will be able to provide customers with a range of sophisticated services, which it is impractical to offer even on the advanced digital exchanges that telecommunications operators around the world are now installing. The concept is to provide these services from a central location, taking much of the intelligence from the exchanges to a central computer.

STC's strategy of targeting intelligent networks as one of its main telecommunications priorities for the future contrasts with the strategy behind the recent GEC-Siemens bid for Plessey. One of the main rationale's for this bid is to rationalise the digital exchange market, an area STC is no longer involved in.

Mr Peter Gershon, managing director of STC Telecoms, said the proposed acquisition would give STC a route into the US.

Computer Consoles has sold $400m worth of computerised directory enquiry systems and other related products which pave the way for intelligent networks to large US telecoms operators such as AT&T, MCI and Nynex — "a list of names we have not sold to."

NFC for market in January

By Kevin Brown, Transport Correspondent

NATIONAL FREIGHT Consortium, the employee-owned distribution and property group, will come to the market via an introduction at the end of January, Sir Peter Thompson, chairman, said yesterday.

NFC has been preparing for a listing since August when it reached agreement with the Stock Exchange on a share structure giving employee-shareholders a double vote in the event of a hostile takeover bid.

The deal allows NFC to place a single special share in its employee share trust, which would be voted in proportion to the number of shares held by employees.

This provision, which was conceded by the Stock Exchange because of the "unique nature" of NFC, is believed to be unpopular with some institutions, although the plans for a listing have been generally well received.

However, Sir Peter remains fearful that an open market in the company's shares will bring to an end the successful experiment in employee ownership which began when the Government sold the former National Freight Corporation to a management and employee buy-out consortium for £7m in 1983.

There are about 42,000 employee and family shareholders, who own 83 per cent of the company. The balance is held by institutions, which were invited to invest through the existing internal market in the company's shares.

Sir Peter said that the company planned to hold regional meetings throughout January to warn employee shareholders not to sell too many shares once open-market dealing began.

Staff would be reminded that the double voting rights represented by the special share would disappear if the proportion of employee-owned shares fell below 10 per cent.

Sir Peter said the company had not decided how much to seek to raise through a rights issue planned to coincide with the introduction. The Stock Exchange has given permission for NFC to seek up to £100m.

NFC has increased pre-tax profits from £11.8m in the first year after the buy-out to £47.4m last year. It has forecast pre-tax profits of about £64m for the year to October.

The company is capitalised at £590m on the internal market. This is significantly greater than the Stock Exchange valuation of publicly-quoted rivals such Christian Salvesen

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Argyll, Atkins Bros, Bogod-Pelepah, Booth Inds, Cope Inds, Coalite, Continuous Stationery, Crosby (J), Equity Consort Inv Trust, General Electric, Harland Simon, ITI, Into Tech, Joseph (Leopold), Lowmonth & Burchet, MS Int, Northern Foods, Reed Executive, TGI, Yellowhammer.

Finals- Anglia Secure Homes, Birmingham Mint, Coolridge Pope, Leeds, Logitek, Mecca Leisure, VPI.

FUTURE DATES

Interims-	
Brookmount	Dec. 7
Halma	Dec. 14
London & Merchant	Dec. 15
Priest (Benjamin)	Dec. 12
Reliance Security	Dec. 16
Saltire Insurance Inv	Dec. 12
Scottish & Newcastle	Dec. 12
Stewart & Wright	Dec. 13
Sytone	Dec. 8
Wellman	Dec. 16
Finals-	
Brown Shipley	Dec. 12
Devenish (JA)	Dec. 13
Ivory & Sime	Dec. 16
Thornton (OW)	Dec. 13
Westland	Dec. 25

UK COMPANY NEWS

Collins attacks News Int'l over its concern for core operating profits

By Clare Pearson

MR IAN CHAPMAN, chairman of William Collins, yesterday dismissed News International's concern, expressed in its offer document, abont low staff morale and about a decline in the operating profits of Collins' core businesses as "manufactured", to pressurise shareholders into accepting an unjustifiably low price in its £294m bid for ownership.

In Collins' defence document, posted to shareholders yesterday, he also said that News International was using its 41.7 per cent holding in the voting shares to bounce Collins holders into accepting its offer.

The document dwelt upon what it called the "excellence" of Collins' core businesses in terms of investment in publishing assets, copyrights and manufacturing technology, as well as its skills in acquiring new titles and anthors. "We are confident that the relationships, skills and resources we have developed will help us achieve outstanding results in the future," it said.

Mr Chapman said he thought it was unnecessary to stress the financial arguments because it was clear from the discrepancy between the value of the offer and the trading price of the shares, that shareholders succumbing to News International's arguments would be making a mistake.

News International, calling tha document a "mnted defence", asked why it had failed to address the reasons for the departure of a significant number of key executives in recent months, and why operating profits had declined for the six months to June.

The News International offer is 640p for each ordinary voting and 535p for the non-voting "A" shares. Last night the ordinary closed at 789p and the non-voting at 610p.

News International has had its holding of Collins' voting shares since Mr Rupert Murdoch's unsuccessful first bid for the publisher in 1981. It speaks for less than 20 per cent of its total share capital.

Limits on water group stakes denied

By Andrew Hill

GOVERNMENT departments said yesterday that they had not ordered major investors in the UK's 29 statutory water companies to curb their stakebuilding.

Both the Department of Trade and Industry and the Department of the Environment, which is responsible for privatisation of the 10 water anthorities, said that such restrictions would be difficult, if not impossible, to impose on existing private sector companies.

Ten agreed bids have been launched for water companies this year, nine by France's three largest water suppliers.

The rumour that limitations on water company stakes were imminent has been circulating for some weeks, coinciding with the publication of the Bill to privatise the water authorities, which receives its second reading this week.

It seems possible that the rumour has arisen following informal government attempts to calm investment in the sector during the sensitive period while the legislation is being introduced.

When the Bill was published on November 24, Mr Nicholas Ridley, Environment Secretary, said he could not prevent investors taking over the existing private companies, which supply 25 per cent of the UK's water.

● A judicial review granted to the Water Companies Association, which represents the 28 quoted water companies, begins today in an attempt to prevent the pnblic water authorities buying shares in the sector. The review follows water company investments by Northumbrian Water, which has since sold its stakes, and Southern Water.

Acquisitions help boost Leigh Interests to an interim £3.03m

By Richard Tomkins, Midlands Correspondent

LEIGH INTERESTS, waste collection and treatment group, bncked controversy over its toxic waste disposal operations and increased interim pre-tax profits from £1.79m to £3.03m.

Turnover rose from £20.4m to £24.2m with a little over half the increase coming from acquisitions. Profits ware boosted by a £220,000 cut in the interest charge resulting from the March rights issue.

Earnings per share, restrained by the rights, grew more modestly from 5.6p to 7p, and the dividend is set at 2.02p (1.83p).

Leigh acknowledged yesterday that public attention and protests had caused operational difficulties during the six months to September, but said it was countering these by citing its professionalism and safety record.

Protestors have been particularly active at the company's base in Walsall, West Midlands, where thousands of gallons of untreated waste are routinely pumped into a disused mine shaft under the terms of a long-standing planning permission.

Close monitoring of Leigh's operations has resulted in a number of charges being brought against the company which are due to come before Walsall magistrates this week.

Mr Bill Pybus, Leigh's chairman, said he welcomed the prospect of new legislation on toxic waste disposal because a stronger regulatory environment would eliminate the competition from cowboy operators.

Ultimately, said Mr Pybus, Leigh aimed to take itself into tha higher-margin, high-technology end of the market where it would concentrate on disposing of the most difficult toxic wastes, mainly through incineration.

● **COMMENT**

Leigh's share price, down 2p at 222p yesterday, indicated that the company's 70 per cent pre-tax profits growth was neither surprising nor miraculous. Half the increase came from debt reduction and this year's acquisitions, and a large slug of the remainder can be put down to last year's 21 purchases. Yet with pre-tax profits of £6.8m in sight this year and earnings growth of a mere 7 per cent, Leigh still commands a glamour stock p/e multiple of 16. The simple reason is the sight of similar operators in the tougher North American regulatory environment enjoying profits growth of 20 per cent a year, and the thought that Leigh may be uniquely well placed to do something similar in the UK. The downside is the sight of Walsall residents staging sit-down protests outside the company's plant, but shareholders can console themselves with the thought that if Leigh cannot get its public relations right, someone else might always do it for them.

Aran is potential 'white knight'

By Nikki Tait

ARAN ENERGY, Dublin-based (oil independent, yesterday confirmed that it was the potential "white knight" for Carless, another larger oil independent which is already facing an unwanted £208m bid from Kelt Energy.

The statement from Aran was brief, saying only that discussions were taking place with a view to making a recommended offer for Carless, and that a further announcement would be made within 48 hours. Yesterday, nobody at Aran was available or willing to elaborate.

Carless, meanwhile, said only that the profile of the two companies' exploration and production activities suggested that there could be a very good fit on this score.

Like Aran, however, it declined to elaborate on the shape of the envisaged deal.

Given that Aran is substantially smaller than its target – with a market capitalisation of under £100m – this caused a number of question marks among analysts yesterday, particularly since Carless has criticised strongly the heavy leverage involved in the offer from Kelt. Some questioned how feasible and popular an alternative, and inevitably sizable, paper issue from Aran would be.

A further problem mooted by some sector-watchers was the level at which Carless could recommend a deal.

A number of rumours about the shape of the planned deal also circulated – including the suggestion that downstream activities would be subject to a management buyout by Carless directors as part of the package.

Aran joined the main London market in autumn 1987 – it previously traded under Rule 535 – having taken over Petrolex, a US oil company, a couple of years earlier in a £15,8m offer. Recently, its prospects have been improved substantially by several North Sea finds – now the Alba and Gryphon fields.

The comment from Kelt was that its own offer remained the only one on the table, and that if an Aran bid did emerge, it would probably be subject to shareholders' approval. The Kelt bid reaches its next close on Thursday. A key 27.2 per cent of Carless belongs to London Merchant Securities, which has accepted the Kelt offer, hnt would be free to withdraw after day 42 of the offer.

Yesterday, Carless shares gained 3p to 120p. Aran was suspended at 57p.

GrandMet in talks with Wienerwald

By Lisa Wood

Grand Metropolitan, UK drinks group, is understood to have been in talks with Wienerwald, a privately controlled chain of about 200 restaurants in West Germany and Austria.

GrandMet, owner of Berni Inns, the steakhouse chain, yesterday however declined to comment on market rumours that it was either taking an interest in or buying the chain of restaurants.

Wienerwald is one of the few large chains of restaurants on the continent. Along with other UK drinks gronps, GrandMet has been actively investigating the opportunities for food retailing there.

Year-end extended at MCC

By Clay Harris

THE 1988 year-end of Maxwell Communication Corporation, Mr Robert Maxwell's publicly listed printing and publishing group, has been extended by three months to March 31 becanse of "snbstantial impending changes" in the company's structure due to the \$2.5bn (£1.36bn) acquisition of Macmillan and the \$750m purchase of Official Airline Guides.

However, MCC made clear last night that it had not decided when to consolidate the results of either US company or to take their assets and liabilities onto its balance sheet. It expected this would happen in 1989.

Neithar company was bought directly by MCC. Both were bought by specially created off-balance sheet vehicles.

In OAG's case, this was Keated, a company organised by Pergamon Group Holdings, another Maxwell company which entered into the original agreement to buy OAG on October 30. Keated's directors are also directors of MCC.

MCC said it would not enter into any more off balance sheet financing deals until after both companies were consolidated.

The OAG purchase is to be financed by a combination of bank horrowings and loan notes. Keated will take on bank borrowings of \$450m while Pergamon Group will subscribe to \$225m of Keated non-convertible loan notes and \$75m of Keated convertible loan notes.

Tha acquisition is expected to be completed by December 23, subject to approval by MCC shareholders on December 22.

MCC said it expected to announce next April unaudited profits for the 12 months to December 31, along with a second interim dividend payable in July 1989. Audited 15-month figures would be announced in August.

Govett American Endeavour Fund

Govett American Endeavour Fund reported pre-tax profits of \$4.11m (£2.2m) for the six months to September 30.

At that date GAEF, which came to the market in May this year, had a net asset value of \$1.88. Total income for the period was \$7.19m.

Earnings per £1 share came out at 7.5 cents and Lord Chilver, chairman, said that the interim dividend of 6.75 cents gross represented "significant" progress.

Harmony Leisure more than doubled

Harmony Leisure Gronp, USM-quoted public house operator, saw interim taxable profits more than doubled from £109,000 to £258,000 on turnover for the 26 weeks to September 30 up 36 per cent at £3.97m.

After tax of £71,000 (£18,000) earnings per 5p share were 0.72p (0.66p). The pre-tax figure included net interest received of £7,000, against payments of £86,000 last time.

Mr Stanley Lever, chairman, said turnover was ahead of forecast with profits reflecting the group's vigorous policy of refurbishment. He looked forward to a very good year.

English & Overseas Property disposals

English & Overseas Property has completed the sale of five shop developments for a total of almost £7m.

The shops are in Doncaster, Launceston, Salisbury, Swansea and York.

American Business rises 16%

CONTINUED progress at its main operating subsidiary boosted group profits at American Business Systems in the six months to September 30. Pre-tax profits rose 16 per cent from £2.14m to £2.48m on turnover up from £16.22m to £21m.

The interim dividend is raised 0.1p to 0.7p.

The USM-quoted company is involved in office equipment distribution in the US. The directors said that sales and pre-tax profits both rose 47 per cent at Danka Industries to \$37m (£19.79m) and \$4.1m respectively. This progress was offset partly by reduced interest income due to expenditure on acquisitions, a higher tax charge and adverse exchange rates.

UK COMPANY NEWS

Expanding Alexon rises to £5.5m

By Alice Rawsthorn

ALEXON, the clothing group which acquired Ellis & Goldstein earlier this year, yesterday announced a 30 per cent increase in interim pre-tax profits from £4.23m to £5.51m.

Mr Peter Wiegand, chairman, said the established businesses had shown growth in both sales and profits, while the restructuring and integration of E & G was progressing to plan.

Group turnover rose to £46.84m (£28.81m) and operating profits to £5.57m (£4.23m) in the six months to September 24. Earnings per share increased to 16.34p (14.02p). The interim dividend is lifted to 4p (2.5p).

Alexon acquired E & G, which includes Dash leisurewear and Eastex women's wear, for £44m in August after emerging at the eleventh hour as a "white knight" to save E & G from a hostile bid from Berkertex. A year ago Alexon expanded its activities as a Marks and Spencer supplier by buying D & H Cohen, a men's and children's wear manufacturer in Scotland.

The group has been restructured into three divisions – retailing, importing, and contract manufacturing for M and S – to accomodate the acquisitions.

Mr Wiegand also intends to establish a European development team to continue tha overseas expansion of Alexon's retail activities and to introduce Dash and Eastex to the Continent as part of the reorganisation of the E & G businesses.

Alexon also plans to increase the number of Dash shops in the UK from the 36 at present. Eastex sells through more than 200 concessions in the UK.

It is also planned to expand Richarvey, the Hong Kong importing business bought at the same time as E & G. Richarvey is to import leisurewear for M and S from the Far East and will eventually encompass E & G's existing knitwear sourcing house in Hong Kong.

Alexon is withdrawing from E & G's loss-making activities. Yesterday it announced the sale of the Dereta women's wear brand to its management and an Eastex blouse factory in Kent. Tha two disposals raised about £2m. Alexon now plans to sell two contract production plants.

● COMMENT

For years Alexon has earned the laurels of one of the stars of the textile sector by gleaning organic growth from its established businesses. It must now prove that it can apply the lessons learnt at Claremont to Cohen and at Alexon to Eastex, while maintaining momentum at Dash. The City expects profits of £14.5m this year and is waiting until next year for the first fruits of the acquisitions to filter through. Breathing new life into Eastex may take rather longer, but it is in 1989 that the first tranche of the £6m investment programme at Cohen will come to fruition and that Richarvey will expand. In the meantime the shares, at 325p, should move with the market on a prospective p/e of 9.

SI aims to discover home of big stake

By Andrew Hill

SI GROUP, manufacturer of drinks dispensing equipment, is trying to find out the beneficial owner or owners of a large tranche of shares which changed hands on Friday.

About 2.49m shares, representing 13.6 per cent of the company, were sold to Bankers Trust Nominees. They included the 6.75 per cent stake owned by Mr Robert Cheesewright, a stockbroker. SI is to issue a section 212 order under the Companies Act, which will require the nominees to reveal the beneficial owner of the shares.

At the end of October, SI announced an increase in first-half losses from £267,000 to £323,000 before tax. It plans to restructure and concentrate on the core drinks dispensing operation.

M&G Investment Management has 14.5 per cent of the group, and Imperial Group Pension Trust owns 8.24 per cent jointly with Imperial Group Pension Investments.

Sharp increase at Reject Shop to £227,000

The first interim results of the Reject Shop since its June flotation on the USM showed pretax profits up sharply from £49,000 to £227,000. Turnover of this furniture and gifts retailer grew 89 per cent to £7.53m in the 28 weeks to October 2 1988.

After tax of £84,000 (£18,000) earnings per 5p share were 1.37p (0.34p). As stated at the time of the flotation, there is an interim dividend of 1.05p.

Mr. Jack Aaronsen, chairman, pointed out that traditionally the larger part of the company's profit was earned in the second half.

He said restrictions on the level of consumer spending were likely to have an effect on Christmas trading and therefore on second-half figures. However, he remained confident of a satisfactory outcome for the year as a whole.

Sterling Publishing at £0.52m

USM-QUOTED Sterling Publishing Group achieved a sharp increase in pre-tax profits from £202,000 to £522,000 in the six months to September 30 1988, on turnover 73 per cent higher at £5.98m.

The latest period includes the results of Debrett's Peerage, Cornhill Publications and SF Publications, all of which were acquired after September 30 1987 and are included on an acquisition accounting basis. The directors said there was also continued strong growth elsewhere in the group.

Trading activity remained strong and together with the increase in margins, this buoyancy had put the group on target to meet its financial objectives for the current year.

Earnings per 5p share were 1.91p (0.93p). There was again no interim dividend, but directors said it remained group policy to allow the full-year dividend to increase in line with earnings per share.

Beaverco leaps 89% to £1.06m

THE SUCCESS of its Safeguard flame retardant foam and diversification of the product base via acquisition enabled Beaverco, USM-quoted specialist foam and consumer products group, to report pre-tax profits 89 per cent ahead at £1.06m for the six months to September 30.

Mr John Lees, chairman, said demand for Safeguard had been buoyant because of its flama retardant and environmental qualities. Manufacture of the product did not involve the use of chlorofluorocarbons, he stated.

Aronstead, garden furniture concern, and the business of Karobes, car seat cover and leisure products group, both purchased in May, were included for four months. Both were trading well, Mr Lees said.

Turnover almost doubled to £19.05m, and interest charges rose to £355,000 (£53,000). After tax of £370,000 (£196,000), earnings per 5p share worked through at 9.3p (6.4p). The interim dividend is raised to 1.9p (1.7p).

Benlox stake

An 18.64 per cent stake in Benlox, construction and industrial group, has been acquired in the name of Fortlodge. Steger Finanz, Swiss investment company, last month sold its 7.69 per cent holding in the Benlox. Mr Simon Berrill, chairman and chief executive, declined to comment on the transactions.

Lexicon whittles losses

LEXICON, US electronic equipment maker with a London listing, reported it was breaking even in the last few months of its year with losses for the 12 months to the end of August falling from $971,000 to $906,000 (£484,000). Turnover was $9.88m, against $6.92m.

However, after a lower tax credit of $386,000 ($731,000) losses per 1 cent share were doubled at 0.06 cents. In view of the favourable outlook, the directors have proposed an unchanged nominal final dividend of 0.25 cents.

Directors said the improvements in both sales and gross margins reflected consistent sales volume for the high-end digital effects processors and broadcast products. The year ended with strong backlogs in three new products launched in the last quarter.

Morris Ashby rises 64% to £550,000

On turnover up 45 per cent to £4.99m, Morris Ashby lifted taxable profits 64 per cent to £550,000.

Mr Norman Gardner, chairman, said the Kaye (Presteigne) subsidiary had extended its foundry. This would enable it to take advantage of a strong order book.

Earnings rose to 4.33p (3.73p). A maiden interim dividend of 1.7p has been declared.

Geevor gets two major holders with Mainband

By Kenneth Gooding, Mining Correspondent

Geevor, the former Cornish tin-mining group which has been expanding its coal interests, has two new major shareholders following completion of its £5m acquisition of the Mainband Colliery in Cumbria.

Mr Eric Grayson, Geevor chairman, said the two shareholders – St James House Nominees, with 15.2 per cent, and Langtry International, with 6.6 per cent – were vendors of Mainband and had been "passive financial investors" in that company. They had agreed not to sell their Geevor shares for at least 12 months.

Mr Grayson had a personal interest in Mainband and the deal leaves him with 12.5 per cent of Geevor's enlarged issued capital.

UK COMPANY NEWS

Raised offer wins over Allied Irish US affiliate

By David Lascelles, Banking Editor

ALLIED IRISH Bank has secured agreement to purchase the remaining 51 per cent of First Maryland Bancorp, its US affiliate, after raising its offer by 11 per cent.

The banks yesterday announced agreement on a price of $39.25 a share, up from $35.24 offered by Allied Irish in September, which was rejected. This raises the cost of acquiring the stake to $371m (£198.4m).

The new deal will have to be approved at an extraordinary general meeting.

The acquisition is intended to consolidate the Irish bank's US position and provide it with an avenue for expansion. The combined bank will have gross assets of about I£14bn.

The acquisition will be funded partly by the I£110m rights issue announced in September. The Dublin-based bank said yesterday that it estimated that in the first full year of combined operations in 1989-90, there would be no dilution in earnings per share.

Jarvis issue

J. Jarvis Holdings is issuing 6.03m shares, placed at 148p each, for two acquisitions – the Hanley Shopping Centre, for almost £6m, and certain businesses and assets of H. Webb (Construction) and Warriner (Builders) for £3m.

Nigerian exposure likely to hit Paterson Zochonis

By Andrew Hill

EXPOSURE TO Nigeria looks likely to hit first-half profits at Paterson Zochonis, the West African trader and manufacturer of toiletries and detergents.

The group – which owns Cussons, the maker of Imperial Leather soap – warned yesterday that results for the half-year to November 30 would probably be lower than in the equivalent period, when reported pre-tax profits were down 27 per cent to £11.9m.

In 1987-88, the company blamed the drop on the low level of consumer demand in Nigeria, which accounts for about 25 per cent of profits.

This time, the main culprit is the Nigerian naira which has fallen 23 per cent against sterling since Paterson's May year-end, compared with 8 per cent in the whole of 1987-88.

The adverse exchange rate will cut profits on translation into sterling despite Paterson's confidence in the last report and accounts that first-half profits wold be "broadly in line" with the equivalent period.

Mr Alan Whittaker, Paterson's finance director, said the latest knock would not shake the group's commitment to Nigeria, which is heavily reliant on oil. Paterson still believes the country's economy will recover in the longer term to provide a steady stream of income for the company.

Analysts seemed generally sympathetic yesterday, although some have cut 1988-89 profits forecasts for the group from £25m to £22m before tax, against 1987-88 pre-tax profits of £24.2m. Paterson's shares – about 65 per cent of which are held by the Zochonis family – fell 7p to 308p.

Clayhithe doubles to £1.83m

CLAYHITHE, the provider of finance and management and developer of land and property previously known as Betec, doubled its profits in the six months to September 30.

The taxable figure, up from £914,000 to £1.83m, was struck on turnover increased by £1.71m to £13.01m. Tax took £501,000 (£272,000) and earnings came out at 7.76p (3.77p) undiluted and 7.19p (3.64p) fully diluted. The interim dividend has been doubled to 1.5p.

Mr John Jones, chairman, said profits had increased in both divisions. The active investment division – which acquires substantial equity in businesses with good, but not fully realised, potential and then applies management and, where necessary, funds to fulfil that potential – had continued to make further progress.

In the period, Clayhithe had acquired a 35 per cent interest in IFG Securities, a Dublin-based management, investment and financial services group.

Demand lifts Brown & Tawse to £4.51m

STRONG DEMAND across the product range at Brown & Tawse Group ensured a 28 per cent increase in pre-tax profits from £3.52m to £4.51m in the six months to the end of September.

Turnover at this distributor of steel and pipeline products advanced 19 per cent to £81.23m (£68.23m) and, with the tax charge abeed at £1.58m (£1.33m), earnings per 25p share worked through at 10.2p (8p).

The interim dividend is raised to 2.85p (2.4p).

Mr Gilbert Black, chairman, said that, despite the significant increase in the interest charge from £546,000 to £831,000, margins had continued to widen.

He said that recent acquisitions and new branches had reinforced the sales growth and had sustained the profit momentum.

He added that the second half had started well and that prospects for the full year were good.

COMPANY NEWS IN BRIEF

CI GROUP: Recent open offer accepted in respect of 2.4m shares. Balance of 4.74m (approximately 66.4 per cent) to *be purchased by conditional* places.

CAMFORD ENGINEERING plans to relocate the manufacturing facilities of its Stevenage-based subsidiary, Geo W King, to a new site. The present site is thought to have a net sale value of about £20m, but a price above this figure will be sought. Talks are at an advanced stage to acquire another Stevenage site.

DAILY MAIL and General Trust's offer for Associated Newspapers Holdings has been declared unconditional, but *remains open for acceptance.* At 3pm on December 2, Daily Mail owned, had contracted to purchase, or had acceptances for *128.88m* shares (*96.36* per cent).

DALEPAK FOODS has purchased Arnold Worsley & Sons (Barnsley) for £175,000 cash. Worsley makes a range of chilled cooked meats and pies for the retail and catering trades. Sales for the year to April 30 *1988 were £3.4m.*

DIPLOMA has acquired 75 per cent of the ordinary voting share capital and all the preference share capital of Engineering Computer Services, a hardware and software distributor, for an initial consideration of £2.15m cash. Further payment up to £1m depends on ECS profits over the next two years. There are options, exercisable in six to seven years', over the remaining ordinary voting share capital.

ELDRIDGE POPE AND CO has purchased Quintus Leisure, operator of the Manor Lodge public house and restaurant, Dorset. The consideration of £146,809 is approximately the *net assets* at July 31 1988 and has been satisfied by the issue of 25,532 'A' (restricted voting) ordinary shares in Eldridge.

HIGHLAND PARTICIPANTS has revised its pre-tax profit forecast for 1988 from not less than £3.5m to not less than £4.5m to take account of the *proceeds* of the July rights issue.

INCHCAPE is selling Gray Dawes Travel, city travel agency to its management. Profits were £504,000 on sales of £21m in 1987. Total consideration represents less than 1 per cent of the consolidated net assets at December 31 1987.

INTERNATIONAL BUSINESS Communications subsidiary Barham Group is selling its Smedley McAlpine business and its non-trading subsidiaries to its management for £974,229 cash.

LOPEX has acquired Harvest Information Services for £70,000 cash and has increased its holding in the Alliance Advertising Agency, Sweden, to 60 per cent. Lopex has invested SKr1.5m (£135,000) of new capital and the company *will now be called Strongren/* Alliance.

NESCO'S open offer of 1.75m new ordinary at 103p closed on November 29 and it has also completed the acquisition of DCS Group. Of the 806,913 offer shares available for recall, 204,565 were taken up by shareholders. The remainder of the offer shares, *1.14m* in respect of which undertakings not to take up had been received, together with the balance of the issue, has been placed with institutional and other investors.

OLIVER RESOURCES owns or has received total acceptances of its offer for North West Exploration in respect of 5.94m shares (46.05 per cent). The offer has been extended until December 13 when, except with the consent of the Takeover Panel, it will lapse unless it has become or been declared unconditional.

WHITBREAD AND COMPANY has aquired Homark Associates, manufacturer of beer dispensing equipment.

UK COMPANY NEWS

Dobson Park expands in US as profits rise 26%

By Clare Pearson

DOBSON PARK Industries, mining equipment and engineering group, yesterday announced full-year pre-tax profits 26 per cent up at £17.7m on turnover just 7 per cent higher at £236.22m. At the same time, Dobson said it was paying a maximum of $20m (£10.2m) to add a further US company, Transducers Inc, to its industrial electronics division.

The year to October 1 saw a sharp curtailment in orders for mining equipment from British Coal and the situation is expected to deteriorate further in 1989.

Profits from mining equipment rose during the year from £6.3m to £7.6m, but the whole of the improvement sprang from the elimination of losses in two overseas businesses.

In response to the worsening situation, Dobson carried out far-reaching rationalisation measures at its own UK businesses and also bought in July the mining equipment side of its competitor, MS International. The £12m purchase followed its failed £33m bid for the whole of MSI earlier in the year.

Redundancy and reorganisation costs charged above the line were £1.4m, against £2.6m last time. But a further £7.86m was charged against reserves.

Transducers, which made pre-tax profits of $1.4m in the last financial year, is to be integrated with Dobson's existing US load cell company, Revere Corporation. Revere's first-time full year contribution to group profits was somewhat lower than expected, but IRD, the other US industrial electronics business acquired in 1987, performed strongly.

New products are being introduced at the power tools division. This put in a strong performance in the year under review although Dobson warned recent rises in UK interest rates made the outlook clouded.

Some of Dobson's toys enjoyed a resurgence in demand towards the end of the year and the toys and plastics division overall maintained profits against a background of reduced volumes and less favourable exchange rates.

To operating profits, industrial electronics contributed £3.4m (£2.3m), toys and plastics £2.5m (£2.5m) and power tools £2.6m (£2.1m).

US tax losses helped the tax charge fall from 36 per cent to 31.5 per cent. An extraordinary debit of £3m arose from the sale in July of Marathon, US mining equipment subsidiary.

Earnings per share came out at 11.58p (10.09p). It is proposed to lift the final dividend to 3.6p (3.31p) making 5.5p (5.21p) for the year.

● COMMENT

Dowty Group, despairing of the market for mining equipment in the UK, last month decided to sell. Because this activity is relatively so much more important to Dobson Park, it is pursuing the alternative strategy of buying the competition (but not Dowty's division) and trying to widen its product range and international presence. But even with the defensive measures it has now carried out, the company is not looking for higher profits in this division this year. At the same time, its other businesses, power tools and toys especially, are looking highly exposed to the strong pound at the moment. The industrial electronics side, which it hopes to expand further by acquisition, is therefore under severe pressure to succeed. The shares, on a prospective p/e of around 8 if it makes £18.5m this year, are better left alone but at least Dobson is increasing the dividend.

Willaire £4.3m acquisitions

By Ray Bashford

WILLAIRE Systems, USM-quoted industrial services, environmental and computer products company, is making two acquisitions for an initial consideration of £4.3m.

The company is paying £3.4m for Medical Air Technology and £900,000 for Climperhurst, air conditioner service and maintenance group, with the payment of an additional £1.25m pegged to profits performances of the the groups.

To fund the initial consideration Willaire is issuing 23.9m ordinary shares at 18p. These are being offered to existing shareholders on the basis of 2.8 ordinary shares for every 10 held and 154.9 convertible preference shares for every 100 held.

Medical Air Technology returned pre-tax profits of £536,000 and had net assets of £519,000 at March 31 this year and Climperhurst pre-tax profits of £116,000 and net assets of £210,000 at January 31.

Willaire directors expect that pre-tax profits for the existing group for the 12 months to December 31 will be not less than £2.3m compared with £1.3m previously and expect to recommend a final dividend of 0.5p.

Laporte purchase

Laporte Industries (Holdings), speciality chemicals concern, is paying $5.1m (£2.75m) for a US maker of polymer-based products for the US construction and civil engineering industries. Dural International Corporation specialises in resin compounds for the restoration of large horizontal concrete surfaces.

ACAL profit on target with £1.7m at midway

ACAL has confirmed the remarks made in the prospectus, with pre-tax profits for the half year to September 30 well ahead from £1.17m to £1.7m. Turnover grew by £3m to £20.88m.

The group is involved in electronics and industrial controls. After tax of £704,000 (£502,000) earnings per 5p share rose from a restated 5.7p to 7.6p. There is a first interim dividend of 1.25p.

BICC in Spanish expansion

By David Waller

BICC, cable and construction group, is consolidating its position as a leading cablemaker in Europe with the purchase of a 20 per cent stake in in Grupo Espanol General Cables (GEGC), Spain's largest cable manufacturer.

The £6.9m purchase is the first stage in a longer-term transaction whereby BICC will take its holding to 49 per cent in 1992. The cost of the additional equity will be a minimum of £11.8m and a maximum of 7.5 times average post-tax earnings in 1990 and 1991.

In this complicated deal, the management of GEGC will eventually acquire up to 51 per cent of the company depending on performance.

GEGC had sales of £143m in 1987 on which it made pre-tax profits of £11m. Net assets of the group after reconstruction for the management buyout stand at £14.5m.

BICC's move follows the acquisition of Ceat Cavi in Italy earlier this year.

Emess in £4m Far Eastern expansion

By Clay Harris

EMESS, the lighting and electrical accessories group, has bought a 45 per cent interest in Transformic Electronics, a components manufacturer in Hong Kong and China.

The price was not disclosed, but Emess is believed to have paid about £4m.

Transformic is a long-time supplier of lighting assemblies for Brilliantleuchten, Emess's 54 per cent owned West German subsidiary. The Chinese factory also makes components for Daimler-Benz, the West German motor group.

Mr Michael Meyer, chairman, said yesterday: "Arguably, it's one of the the most important acquisitions we've ever made."

The Chinese factory – there are also three in Hong Kong – will supply halogen-lighting transformers as well as moulded plastic components.

The acquisition gives Emess its second direct interest in an Asia manufacturing operation. A Singapore factory supplies about 10 per cent of the group's electrical accessories.

Transformic has annual sales of about HK$150m (£10.8m) and net assets of HK$70m. Management is retaining a controlling 55 per cent interest in the company.

Hanson completion

Hanson, industrial conglomerate, has completed the sale of Kidde Fire Protection to Pilgrim House Group, now a subsidiary of Williams Holdings. The $253.75m (£137.27m) deal had been delayed for several months by US anti-trust procedures, although no changes were required in the end.

The businesses being sold made a pre-tax profit of $26m on sales of $263m in 1987 and have net assets of about $98m. In addition to the cash payment to Hanson, Pilgrim House is also assuming debt of about $12m.

Chestergate sale

Chestergate Group, the USM-quoted interior design and construction company formerly known as Shoralplan, has announced that 1.1m of its ordinary shares have been sold to a group of new institutional investors.

In a move designed to provide practical support for further acquisitions, Mr Roger Taylor, chairman, has disposed of 1m shares and Mr William Kaczynski, director, 100,000. The disposals reduce Mr Taylor's holding to 3.5m shares (29.4 per cent) and Mr Kaczynski's to 237,500 (2 per cent).

SHARE STAKES

Changes in company share stakes announced recently include:

Airflow Streamlines – Mr Edward and Mrs Olive Emily Loaded have acquired 47,500 ordinary (0.55 per cent), bringing their total holding to 872,538 (10.21 per cent). The shares are registered in the names of Barry Ltd (372,538) and Santsbury Ltd (500,000).

British Syphon – Melton Medes and Mr N Puri, its chairman, now have an interest in 3.3m shares (10.28 per cent).

Geevor – Mr C B Gill has acquired 1.24m ordinary (6.7 per cent) and now holds 1.32m (7.1 per cent).

Hicking Pentecost – Telfos has purchased an additional 100,000 ordinary at 77½p and is now interested in 1.21m (18.88 per cent).

Inry Merchant Developers – Mr M T Myers, chief executive and managing director, has disposed, at an average price of 419p, of 400,000 shares to other members of the board. He now holds 1.43m and remains the largest single shareholder on the board.

McLaughlin & Harvey – Mr C Yuill, chairman of Thorbourne, and other parties acting in concert now hold 375,000 ordinary (9.21 per cent), although none of these parties individually holds more than 3.68 per cent.

Priest Marians – Interallianz Bank Zurich has sold on behalf of Interallianz Securities Corp, Panama, £425,000 nominal of 6.5 per cent convertible unsecured loan stock and 735,000 ordinary. The total interests of Mr S Fussell, director, and those parties deemed to be in concert with him are now 3.77m ordinary (24.83 per cent) and £8.7m nominal of the loan stock (29.12 per cent).

Next – Medlock & Medlock now holds 15,318 6 per cent cumulative preference shares at £1 each (15.32 per cent).

TR Australia – River Plate and General has acquired 100,000 ordinary, bringing its total holding to 9.62m (29.34 per cent).

COMMODITIES AND AGRICULTURE

Precious metals hit highs but may lose ground

By Kenneth Gooding, Mining Correspondent

THE PLATINUM price in London yesterday reached its highest level for six months. Gold reached a three-month peak. However, some analysts believe the precious metals are due to lose ground again this week.

Recent renewed interest in platinum has been sparked by the launch of two legal tender coins from Australia and Canada and reports suggesting supplies of the metal will be tight for the next year or so.

In London yesterday platinum touched $614.25 a troy ounce in morning trading, before profit-taking pared its gains and the price ended at $613 an ounce, up $14.25 from Friday.

Ms Rhona O'Connell, analyst with Shearson Lehman Hutton's London metals research unit, said platinum failed on Friday in New York to break through the psychologically important level of $620 an ounce. She suggested the platinum price, up about $60 in a week, was due to fall back.

On gold she said: "Gold did its utmost to ignore platinum's rise. It turned a blind eye to the increase in oil prices. But the news on Friday that US unemployment had risen sharply was the last straw."

In early trading yesterday gold bullion reached $431 a troy ounce and demand from Switzerland was particularly strong.

This encouraged profit-taking which saw the price dip later to $429 an ounce, up $4.25 from Friday.

Ms O'Connell said she believed gold was still trapped in a very narrow trading band. "I think we will see $425 an ounce again rather than $435," she said.

The silver price initially took its tone from the other precious metals and moved to 622 cents an ounce in London. However, there was little fresh news to support the upward movement and a little light selling was enough to push the price back down to 619 cents, still 6 cents ahead of Friday's level.

Platinum warrants to be issued

By Our Mining Correspondent

J. ARON, THE New York-based commodities dealer, is to issue 10,000 warrants to buy platinum.

The company believes it is the first time platinum warrants have been issued. It suggests the instruments will represent the only method for speculators to take a long-term view of the platinum market.

Each warrant will cost 840 Swiss francs and can be converted into five troy oz of platinum between this December 23 and June 23 1990, at US$590 an ounce.

Warrants will follow the US style and can be converted at any time in the 18-month period. A SwF25 commission will be charged.

The platinum price has been volatile but relatively high in recent weeks and yesterday was $613 an ounce, up $14.25 from Friday's level.

Two recent reports, from Shearson Lehman Hutton, the securities group, and from Johnson Matthey, the precious metals marketing organisation, suggested the price is likely to stay buoyant in the next 18 months because of supply tightness.

Shearson said the platinum price will probably range between $500 and $675 an ounce next year.

Goldman Sachs Finanz is lead manager. It is a Swiss offshoot of the Goldman Sachs group, which is also Aron's parent.

The warrants will be listed on the Luxembourg stock exchange in bearer certificates representing five warrants.

The warrants cannot legally be traded in the US or held by US citizens. Goldman Sachs said it had reacted to demand from Switzerland and Japan in particular.

There will be no delivery of platinum as a result of warrants being exercised.

Settlement will be in US dollars in an amount equal for each warrant exercised to the excess over the exercise price of the London platinum afternoon fixing price for one troy ounce of fine platinum (999.5 parts per 1,000) on the second business day in London after the exercise date. Payment will be made within four London and Zurich business days.

Goldman Sachs said there were no alternative vehicles for long-term play on platinum because platinum futures contracts on the New York Mercantile Exchange and the Tokyo Commodity Exchange only offered liquidity up to six months.

There is an over-the-counter option market in platinum but there were only three active market makers, including Aron, and this market was also only liquid up to six months, Goldman Sachs said.

Price gains boost Australian profits

By Chris Sherwell in Sydney

AUSTRALIAN MINING's recent dramatic rise in profitability ended six years' poor performance but was earnt in the smelting and refining industries by higher metal prices rather than the coal, iron ore and gold sectors.

This is the main finding of the annual minerals industry survey, for the Australian Mining Industry Council.

The survey, published last week, is based on responses from 113 mining companies covering the bulk of Australian mineral output.

It shows Australian mining companies' net profits almost trebled in the year to June, to A$1.77bn from A$669m, and that their net profit return on average shareholders' funds more than doubled to 14.7 per cent from 6.4 per cent.

Main contributor was smelting and refining. In spite of higher direct taxes it provided almost A$700m of the industry's total net profit for the year, after a A$300m loss in 1986-87.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium standard	-9,600	to 25,875
Aluminium high grade	-800	to 141,875
Copper	-1850	to 63,650
Lead	-425	to 56,750
Nickel	+552	to 2,634
Zinc	+4,050	to 25,800
Tin	-240	to 6,795
Silver (oz)	-44,000	to 15,214,000

This was the sector's first such net profit since 1983-84. Sales were higher, at A$6.2bn, up 37.7 per cent.

Exploration and mining saw only a small net profit rise, to A$1.07bn from A$970m. Although the hulk minerals coal and iron ore saw small rises in negotiated contract prices, these were more than offset by Australian dollar appreciation. Moreover, the overall decrease cancelled out base-metals price rises.

Exploration and mining returns fell for the second year hut stayed above early-1980s levels. Returns from smelting and refining were the highest since 1979-80.

Locust threat to Turkey 'subsides'

By Jim Bodgener in Ankara

THE THREAT from locust swarms blown in over the weekend on to Turkey's Aegean and south-western coastlines had snhoided, relieved Turkish officials said yesterday.

Strong winds had apparently driven swarms from Aegean islands, where they damaged crops, and the locusts were part of the general plagne sweeping from North Africa, they said.

The infestation has been greatest by far in Antalye province, where the insects began to arrive on Saturday night. The area is one of the most fertile in Turkey, producing abundant cotton, cereals, vegetables and citrus fruits.

However, because of cold weather the locusts were lethargic and easily trapped, stuffed into sacks and burnt in pyres before they could damage crops. The harvest in the area is, anyway, mostly ended.

There has been hickering ahont the anthorities' preparedness. The president of the Agricultural Association of Turkey, Mr Ibrahim Yetkin, said yesterday he had warned the Agriculture Ministry a year ago about the potential danger of a locust infestation.

One aircraft started to spray the incoming swarms on Sunday. Spraying stopped yesterday for lack of targets, although another 11 aircraft operated by Turk Hava Kurumu (Turkish Aviation Board) were standing by.

By the time the locusts reached Turkey, most – though fully-grown to abont 5cms or 6cms – were brown, indicating their spewning cycle was over. This is only the second recorded invasion of Turkish territory by African locusts – the first in 1962 was into the south-east, from Syria.

Gourlay leads on falling income

Royal Smithfield Show opens with stirring speech by NFU chief

THE Royal Smithfield Show opened at Earl's Court yesterday followed by a most stirring speech from Mr Simon Gourlay, National Farmers Union president, intended to galvanise the debate on farmers' declining incomes and what should be done about them.

He linked it all to the success, or otherwise, of the European Community's attempts to cut production and, while he conceded that most agricultural policy decisions were now made in Brussels, he slammed the British Government's economic management particularly in respect of its effects on farmers, and called the situation intolerable.

He said: "The UK now has the highest inflation rate in the EC and it is still rising. We already have the highest interest rates and we are told they are likely to go yet higher." The combined effects of inflation, borrowing costs and high sterling values imposed a crippling penalty on agriculture and meant every percentage rise in base rates now translates into at least 6 percentage points off the industry's abysmally low net income.

Mr Gourlay said he saw no alternative to some further extension of supply management to achieve market balance in agriculture. He denied this meant quotas, preferring, he said, to speak of compulsory set-aside, (compared with the voluntary scheme introduced this year). This would control production of some arable crops to required levels in exchange for which farmers would receive higher prices.

The present EC policy of trying to control production by a series of so-called budget-stabiliser mechanisms was not efficient. "No doubt they would bring down production eventually but the adjustment process would be prolonged, unpredictable and highly damaging," he said.

FARMER'S VIEWPOINT

By David Richardson

He said he was discussing with French and German farmers' organisations the possibility of a joint approach to promote the concept of supply management to EC officials early in the new year.

As a farmer, my wishes coincide almost exactly with those of Mr Gourlay. Although not a dairy farmer I have watched the introduction and application of milk quotas since 1984 and the relative prosperity they have brought. Ex-farm prices for milk have remained steady throughout, provided farmers controlled production to permitted levels. Dairy farmers have learnt to produce milk more efficiently and the EC surplus has been cut to a trickle.

Mr Gourlay clearly believes, and I agree with him, that something similar should be introduced for cereals, the profitability of which has been eroded almost entirely over the past four years. However, he made his proposals on the very day that the world's agriculture ministers, including our own Mr John MacGregor, began a meeting in Montreal to try to negotiate removal of all trade barriers, subsidies and protectionism for agriculture.

It will doubtless not have escaped Mr MacGregor's attention that one of the side-effects of the introduction of milk quotas 4½ years ago has been a shortfall in beef output. About 65 per cent of beef produced in the UK comes from calves and dairy cows. The fall in dairy-cow numbers which followed quotas has therefore depleted the number of calves available for finishing as beef animals. Indeed, UK beef output this year has fallen to its lowest level for 15 years and a further fall is expected next year.

Beef prices have risen considerably and are still rising and, in spite of sharply increased imports, supplies in the shops this year will almost certainly prove to be down 4 per cent to 5 per cent.

In response to this, Mr MacGregor's own advisory officers at the Smithfield Show are advocating the production of more beef from specialist breeds by twinning.

This involves the use of embryo-transfer technology, enabling cows to be impregnated with two fertilised eggs thereby producing twice the normal number of calves.

Most cattle-breeders do everything they can to avoid twins because of the calving difficulties they cause. Ministry advisers are aware of this of course but politics often flies in the face of practicality.

However, while the beef and milk producers at Earl's Court this week may have a spring in their step, arable farmers like me are rather morose. Traditionally we are the people who buy the big machinery on show – Smithfield was traditionally a fatstock show but has now become the main winter shop window for farm machinery. But most of us arable farmers have just experienced our third unprofitable year in four.

Machinery-makers say some of us have begun to do business again but admit it is usually because of some external factor such as the availability of cash from the sale of a piece of land for development. Others have been reluctantly forced to replace old, worn-out machines to keep farming. There is little sign of arable farmers buying under the planned kind of regular renewal programme possible a few years ago.

Manufacturers and finance houses at the show are doing their best to tempt farmers to do business. Almost every company has its own so-called unique loan scheme with a claimed zero interest option for purchases over a period of years. Discounts off list prices make a mockery of list prices and one company at Earl's Court this week is even offering a supply of free diesel fuel for its tractors as an added incentive to buy.

Their schemes have presumably worked because tractor sales are reported to have increased this year, by 12 per cent to 15 per cent, to 22,000 units. However, it should be recognised that a high proportion of those were small machines down almost to lawnmower size; that while sales in the West Country and Wales were well up on the back of milk profits, those in East Anglia were 30 per cent down; and that 10 years ago 30,000 or more tractor sales a year was the norm.

It is also significant that an industry noted for its conservatism in financial matters is now reported to buy 60 per cent of its tractors through some sort of finance or leasing scheme.

Meanwhile the farm-machinery industry itself continues to rationalise, in other words to close factories and regroup. Few companies can afford to develop and produce the complete ranges of machines for all seasons for which they were known only few years ago. Today the manufacture of specialised equipment is becoming concentrated into fewer and fewer hands and most of them seem to be foreign rather than British.

The same trend apparently is even affecting the cattle which will today compete for the supreme championship of the show. Of the 393 animals entered in the beef classes, 244 were sired by foreign breeds of bull. Traditional British bulls of the Hereford and Aberdeen Angus breeds were responsible for just 21 and 28 animals respectively.

Peruvian well drilled again

By Veronica Baruffati in Lima

OCCIDENTAL PETROLEUM is again drilling for oil in the La Colpa 1X well in the first stage of a contract signed with Petroperu on March 22 1986.

Drilling stopped more than two years ago when Petroperu cut Occidental's fees. This row ended on October 25 in a deal whsrehy Petroperu pays Occidental a higher fee for new oil produced in the jungle.

La Colpa's site was discovered after seismic studies along 2,000km by Western Geophysical.

Palestinian farm exports are heading direct to EC

By Andrew Whitley in Jerusalem

TWO YEARS of talks have ended in direct exports of Palestinian farm produce from the Israeli-occupied territories to the European Community.

On Sunday a 1,100-tonne consignment of Gazan grapefruit left Ashdod, an Israeli port, for Rotterdam. Next week, the first shipment of aubergines from the West Bank is scheduled to depart for Marseilles.

A further 2,000 tonnes of grapefruit and 13,000 tonnes of oranges – 3,000 navel oranges and 10,000 valencia – are scheduled for export from Gaza over the next four months, salvaging an industry which has lately encountered increasing difficulties.

Up to now most Palestinian produce has been sold locally or to the Arah world, via Jordan. An EC initiative of October last year - pntting goods from the occnpied territories on the same tariff footing as those from Israel - opened new horizons hut strenuous Israeli objections repeatedly delayed implementation.

Last-minnte hold-ups, attributed by Israel to security checks, mean Gazan grapefruit may not be in European shops in time for Christmas, as had been initially planned hy its Dutch importer.

However, at least the hard-fought advance has been achieved.

Copper mine in PNG stopped

BOUGAINVILLE COPPER said production was again halted at the Panguna mine in Papua New Guinea on Sunday night when explosives damaged a transmission tower carrying power to the mine, Reuter reports from Sydney.

Emergency generators are providing power for lighting and other purposes, said the company, 53.6 per cent owned by CRA.

An incident last Thursday resulted in a two-day closure of the mine and production losses estimated at 4,000 tonnes of copper concentrate.

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE metal prices went into reverse on the LME yesterday after Friday's advance, which had left the markets overbought. Trading in copper was nervous, and the metal closed at the day's lows after erratic movement on Comex. Its decline took aluminium lower, while zinc retreated from its Friday record levels, which traders said had been underpinned by speculation, but unsupported by any fresh fundamental developments. Lead fell sharply, with long liquidation finding little interest from buyers. Meanwhile cocoa moved ahead in light trading as uncertainty persisted about the proposed deal between France and the Ivory Coast, the world's biggest producer, to mop up surplus stocks. The first day of this week's Cocoa Producers' Alliance meeting in Lagos had not produced any market-moving news, dealers said.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$11.75-1.85q	-.225
Brent Blend	$14.60-4.75	-.175
W.T.I. (1 pm est)	$15.55-5.58q	-0.15
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$179-182	
Gas Oil	$144-146	+3.5
Heavy Fuel Oil	$68-70	-2
Naphtha	$135-138	-0.5
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$429.0	+4.25
Silver (per troy oz)♣	619c	+6
Platinum (per troy oz)	$613	+14.2
Palladium (per troy oz)	$128.75	+0.75
Aluminium (free market)	$2460	-55
Copper (US Producer)	159⅝-162c	-¼
Lead (US Producer)	40¾c	
Nickel (free market)	665c	-55
Tin (European free market)	£4050	
Tin (Kuala Lumpur market)	19.59r	-0.01
Tin (New York)	342.5c	-2.0
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	72⅝c	
Cattle (live weight)†	114.14p	-1.06*
Sheep (dead weight)†	173.68p	+0.61*
Pigs (live weight)†	82.30p	+1.32*
London daily sugar (raw)	$290z	-2
London daily sugar (white)	$305z	-2
Tate and Lyle export price	£264.5	-2.5
Barley (English feed)	£109	
Maize (US No. 3 yellow)	£126	-1
Wheat (US Dark Northern)	£111.75	+0.75
Rubber (spot)♥	57.50p	+1.25
Rubber (Jan)♥	62.50p	+1.25
Rubber (Feb)♥	63.50p	+1.25
Rubber (KL RSS No 1 Jan)	290.5m	+3.0
Coconut oil (Philippines)§	$570z	+2.5
Palm Oil (Malaysian)§	$405	
Copra (Philippines)§	$360	
Soyabeans (US)	$178	+0.5
Cotton "A" index	60.45c	+0.50
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Nov/Dec. v-Jan/Mar. x-Mar. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	845	828	842 829
Mar	864	853	865 852
May	864	853	864 832
Jul	866	855	866 856
Sep	868	857	863 856
Dec	886	881	886 878
Mar	896	891	888 896

Turnover: 2290 (4190) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 2: 1109.71 (1106.43) :10 day average for Dec 5: 1121.44 (1119.16).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1105	1104	1110 1096
Mar	1099	1090	1099 1083
May	1085	1075	1085 1065
Jly	1086	1075	1087 1065
Sep	1084	1072	1065 1065
Nov	1084	1078	1070

Turnover: 2507 (3259) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 2: Comp. daily 116.10 (116.16); 15 day average 114.75 (114.59).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	257.00	261.20	262.00 256.60
May	250.20	253.20	252.40 249.80
Aug	241.40	244.80	244.00 242.00
Oct	236.40	240.80	239.40 237.80
White			
Mar	290.50	293.50	294.00 291.00
May	286.00	289.00	290.00 284.50
Aug	287.00	288.50	291.00 289.00
Oct	280.50	284.00	282.50
Mar	279.00	281.00	283.00

Turnover: Raw 1830 (0129) lots of 50 tonnes. White 772 (1901).
Paris- White (FFr per tonne): Mar 1720, May 1697, Aug 1700, Oct 1640, Dec 1635, Mar 1635

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2250	169	171	30	117
2300	104	124	65	108
2450	58	86	118	230
Copper (Grade A)	**Calls**		**Puts**	
3000	324	255	65	285
3200	200	178	140	384
3400	113	121	251	523

TEA

There were 20,486 packages on offer at this weeks auction, including 600 in the offshore section, reports the Tea Brokers' Association. Best liquoring Assams and dust grades met strong demand at firm rates but mediums shed 4-5p and there were some withdrawals. Bangladesh teas sold readily and were often dearer. East Africans came in for keen competition, particularly better medium types, and were frequently 5-10p dearer, sometimes more. Central Africans also received good support and moved higher by a similar amount. Ceylons met fair enquiry with brighter types 5-6p dearer, the small quantity of offshore teas were unsold. Quotations: quality 180p (160p), medium 107p (100p), low medium 78p (72p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,850 tonne
Cash	2415-25	2510-20		2460-5		
3 months	2330-5	2406-10	2400/2335	2365-70	2350-5	22,263 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 4,050 tonne
Cash	1245-55	1305-15	1275	1270-5		
Dec. 21	1230-5	1290-300	1285	1260-5		6,347 lots
Copper, Grade A (£ per tonne)						Ring turnover 37,200 tonne
Cash	1890-5	1965-70	1925/1910	1924-8		
3 months	1631-2	1697-8	1668/1631	1656-7	1637-8	68,024 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	608-11	611-3		614-6		
3 months	621-4	624-7		626-30		436 lots
Lead (£ per tonne)						Ring turnover 7,200 tonne
Cash	380-1	407-9	398/397	397-8		
3 months	362-3	396-7	395/381	389-9.5	384-5	11,438 lots
Nickel ($ per tonne)						Ring turnover 834 tonne
Cash	14700-800	15400-500	14696	14700-800		
3 months	13350-400	13500-600	13400/10150	13200-50	13300-400	5,446 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 1,800 tonne
Cash	1620-30	1655-65		1605-10		
3 months	1560-5	1590-5	1570	1565-70	1560-70	1,484 lots
Zinc ($ per tonne)						Ring turnover 7,250 tonne
Cash	1620-30	1650-60	1605	1605-7		
3 months	1535-40	1588-70	1545/1535	1535-7	1535-40	11,595 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	65.0	66.0	60.0
Apr	95.9	95.8	96.3 95.6
May	111.5	112.4	111.8 111.0

Turnover 23 (47) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	157.00	156.50	157.00
Feb	163.00	161.50	163.00 163.00
Apr	162.00	101.00	162.00
Jun	153.00		153.00

Turnover 70 (141) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Dec	1483	1478	1498 1478
Jan	1510	1503	1520 1505
Apr	1550	1538	1560 1550
Jul	1345	1340	1360 1345
BFI	1466	1460	

Turnover 227 (389)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	108.40	108.50	108.40 108.20
Mar	113.00	113.25	113.00 112.95
May	116.30	116.40	116.30 116.10
Jun	117.90	118.00	117.90 117.75
Nov	104.30	104.10	104.30 104.10

Barley	Close	Previous	High/Low
Jan	105.75	105.75	105.75 105.50
Mar	109.00	109.10	109.10 108.85
May	110.85	110.90	110.85 110.80

Turnover: Wheat 102 (416), Barley 104 (154).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	428¾-429¼	229¼-229¾
Opening	429¼-429¾	229¾-230¼
Morning fix	430.4	230.160
Afternoon fix	429.00	229.449
Day's high	430¾-431¼	
Day's low	428½-429	

Coins	$ price	£ equivalent
Mapleleaf	441-446	236-239
Britannia	441-446	236-239
US Eagle	441-446	236-239
Angel	440-445	235½-238
Krugerrand	428-431	229-231
New Sov.	101-102	54-54¾
Old Sov.	101-102	54-54¾
Noble Plat	623.20-630.35	333.25-337.10

Silver fix	p/fine oz	US cts equiv
Spot	331.10	618.85
3 months	341.60	633.15
6 months	352.75	647.65
12 months	373.85	676.60

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jan	14.39	14.50	14.45 14.27
Feb	14.20	14.30	14.27 14.13
IPE Index	14.36	14.49	

Turnover: 2603 (3357)

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	143.50	143.00	144.00 142.25
Jan	139.50	139.75	140.25 138.60
Feb	137.00	137.25	137.25 135.75
Mar	133.50	133.25	133.50 131.50
Apr	131.00	130.25	131.00 129.75
May	128.00	127.50	128.00 127.25
Jun	127.25	126.00	128.00 127.25

Turnover 5180 (7081) lots of 100 tonnes

US MARKETS

WITH THE absence of any major economic reports, the metal markets started the week with quiet sessions, reports Drexel Burnham Lambert. Prices slipped in the gold, silver and platinum but trading ranges were narrow. Copper futures had a dull market with prices advancing 120 in March. Copper stocks came out slightly higher than expected. In the softs, cocoa futures gained 22 in March due mostly to steady London prices and firmer sterling. The sugar and coffee markets were featureless. The grains had professional selling in all markets. Soyabeans posted the largest decline falling 12 cents in January. Profit-taking was noted in the soyabean complex. Weekend rains came as expected in South America. In the meat markets, trading was dominated by locals with light volume seen. The energy markets drifted lower after local traders failed to rally the markets early in the day. Volume for the day was well below normal. Cotton prices were firm throughout the session as commission houses supported the market. Trade groups noted that a tight supply situation was becoming apparent.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	429.3	431.7	432.0	428.9
Jan	432.0	434.5	0	0
Feb	434.2	436.7	436.6	433.8
Apr	439.8	442.2	442.4	439.3
Jun	445.5	447.9	447.5	445.0
Aug	451.4	453.8	453.5	453.0
Oct	457.4	459.8	458.5	458.5
Dec	463.4	465.8	465.8	462.5
Feb	434.2	436.7	436.6	433.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	612.1	615.9	620.0	610.0
Apr	600.1	603.9	606.0	600.0
Jul	597.1	601.4	601.4	598.0
Oct	595.1	600.4	602.0	596.0
Jan	596.6	603.9	601.5	601.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	616.3	619.0	620.5	614.0
Jan	621.1	623.6	621.0	621.0
Feb	625.8	628.3	0	0
Mar	631.0	633.5	635.6	629.5
May	641.5	644.2	645.5	640.0
Jul	652.0	654.6	657.0	650.0
Sep	662.2	665.0	665.0	664.0
Dec	677.0	680.8	682.0	678.0
Jan	682.6	685.6	0	0
Mar	694.4	697.4	696.0	696.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	150.80	150.20	152.50	148.65
Jan	144.30	143.20	143.90	143.50
Feb	138.80	137.20	0	0
Mar	132.90	131.70	134.70	129.70
May	124.70	123.70	126.00	122.50
Jul	120.70	120.00	121.80	119.60
Sep	118.00	117.50	117.50	117.50
Dec	115.30	115.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	15.64	15.64	15.88	15.52
Feb	15.25	15.39	15.42	15.24
Mar	15.18	15.30	15.34	15.18
Apr	15.15	15.25	15.28	15.15
May	15.19	15.23	15.25	15.18
Jun	15.16	15.22	15.25	15.25
Jul	15.17	15.21	15.25	15.22
Aug	15.23	15.20	15.29	15.23
Sep	15.30	15.19	15.36	15.30
Oct	15.25	15.19	15.25	15.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	4685	4696	4825	4675
Feb	4785	4797	4820	4775
Mar	4565	4588	4610	4560
Apr	4350	4368	4390	4345
May	4230	4243	4270	4215
Jun	4170	4178	4175	4155
Jul	4140	4163	4140	4140

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1440	1421	1440	1421
Mar	1465	1463	1469	1463
May	1466	1466	1467	1467
Jul	1490	1474	1490	1472
Sep	1496	1466	0	0
Dec	1610	1490	0	0
Mar	1531	1513	0	0
May	1546	1526	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	125.40	124.60	125.50	124.60
Mar	123.56	123.66	124.15	123.25
May	122.20	122.17	122.90	121.75
Jul	120.85	121.16	121.60	121.10
Sep	120.25	120.53	120.25	120.00
Dec	119.75	119.93	119.50	119.50
Mar	119.10	119.36	0	0
May	115.10	110.13	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	10.81	11.01	0	0
Mar	11.43	11.54	11.54	11.37
May	11.08	11.20	11.19	11.03
Jul	10.76	10.94	10.91	10.76
Oct	10.48	10.74	10.70	10.46
Jan	9.46	9.48	0	0
Mar	10.23	10.45	10.48	10.48

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	59.35	58.77	59.70	59.10
Mar	57.98	57.68	58.47	57.70
May	58.07	57.83	58.75	57.89
Jul	58.35	57.75	58.95	57.90
Oct	57.82	57.65	58.10	57.75
Dec	57.82	57.75	58.30	57.70
Mar	57.60	57.56	0	0

ORANGE JUICE 10,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	163.95	164.70	164.60	163.50
Mar	162.70	163.70	163.45	161.75
May	163.20	164.68	164.15	163.00
Jul	164.00	165.00	165.50	163.65
Sep	163.10	163.25	0	0
Nov	161.35	161.05	161.00	161.00
Jan	157.50	157.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 2	Dec 1	mnth ago	yr ago
1878.6	1867.0	1883.6	1703.3

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.43	135.72	137.34	129.64
Futures	139.93	139.82	140.81	131.07

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	756/6	768/6	772/4	756/0
Mar	769/2	780/6	784/4	769/0
May	774/4	783/4	789/2	773/4
Jul	773/0	782/4	787/0	772/4
Aug	763/4	770/0	774/0	763/0
Sep	711/0	714/4	723/0	711/0
Nov	678/0	681/0	691/4	678/0
Jan	685/0	688/0	700/0	685/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	22.50	22.72	22.85	22.35
Jan	22.64	22.92	23.05	22.51
Mar	23.17	23.47	23.60	23.02
May	23.68	23.95	24.05	23.52
Jul	24.05	24.42	24.47	23.98
Aug	24.12	24.47	24.57	24.10
Sep	24.10	24.55	24.50	24.10
Oct	24.15	24.55	24.55	24.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	241.9	244.7	247.0	241.2
Jan	243.3	246.6	246.6	243.0
Mar	243.4	245.7	246.0	243.0
May	240.7	242.5	244.3	240.0
Jul	236.0	236.0	238.5	235.0
Aug	228.0	228.2	231.5	228.0
Sep	218.5	219.0	220.0	217.5
Oct	208.0	207.0	209.0	206.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	252/4	258/6	259/6	252/0
Mar	265/0	268/6	270/0	264/2
May	269/6	273/0	274/4	269/2
Jul	272/6	275/6	276/6	272/2
Sep	258/4	260/0	262/0	258/2
Dec	253/2	255/0	255/6	253/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	413/6	419/0	420/0	413/2
Mar	413/4	419/6	420/4	413/0
May	398/4	403/0	404/0	398/0
Jul	372/6	377/4	379/4	372/4
Sep	377/4	382/4	383/0	377/4
Dec	388/0	393/0	392/0	388/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	71.40	71.80	71.77	71.05
Feb	71.35	71.45	71.70	70.92
Apr	73.17	73.10	73.30	72.75
Jun	71.77	71.75	71.90	71.50
Aug	69.75	69.62	69.95	69.48
Sep	69.20	69.20	0	0
Oct	68.77	68.77	69.00	68.77
Dec	70.00	70.00	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	40.77	40.36	40.92	40.15
Feb	44.47	43.62	44.66	43.70
Apr	43.42	42.86	43.60	42.85
Jun	47.72	47.32	47.80	47.15
Jul	47.80	47.57	47.97	47.25
Aug	47.25	46.67	47.30	46.75
Oct	44.55	44.12	44.70	44.05
Dec	45.30	45.05	45.35	0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	45.57	45.37	46.20	44.80
Mar	46.12	46.02	46.65	45.45
May	47.80	47.60	48.20	47.10
Jul	48.97	48.52	49.20	48.20
Aug	47.37	47.15	48.00	46.90
Feb	46.00	0	46.00	42.00
Mar	46.00	0	46.00	42.00

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LONDON STOCK EXCHANGE

Equities rally sharply in late trading

FIRST DEALINGS IN British Steel, the latest UK privatisation issue, dominated the UK stock market yesterday. Although the market premium on the British Steel issue proved a disappointment for the private investors who flocked last week to apply for shares, the rest of the market rallied from mid-session losses in response to an unexpectedly strong opening on Wall Street.

The equity market opened nervously after a weekend in which both press and City commentators stressed the dangers of further upward pressures on interest rates on both sides of the Atlantic. The message was pressed home at mid-morning by the announcement of the revised retail sales figures and consumer credit data for October. Both seemed to indicate continued consumer spending pressures, and thus fuelled fears that base rates might be forced higher yet.

Meanwhile, firmness in sterling, while doing little to reduce fears of higher interest rates, depressed the blue chip export stocks. By mid-session, the equity market looked very drab, with the FT-SE Index down by 16 points. Turnover was thin, however, and traders discounted hints of a sell programme in the market.

Share prices staged a mild rally until the commencement of dealings in British Steel, which was held back until 2.30pm so as to co-ordinate with the US markets. With the first deals in the new steel issue showing a disappointingly small premium, equities began to turn off rapidly and share prices soon returned to the day's lows.

Wall Street's opening burst caught some London traders unawares, and the blue chips were marked higher very quickly as market makers sought to fend off the transatlantic buyers. By the end of trading, the fall in the FT-SE Index had been cut to a mere 3.4 points at 1761.6.

Turnover jumped to 645.4m shares from Friday's 486.3m, but was boosted by the new steel issue. Turnover of 251m shares in British Steel easily topped the market's active stocks list.

The turnround in yesterday's stock market left many analysts somewhat perplexed. Even the comments from major retail companies that consumer spending is beginning to slow down have left some equity market specialists concerned that another hike in base rates is by no means out of the question.

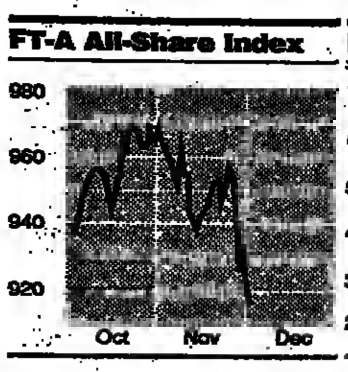
These concerns have been fed by reports of pressures on the Federal Reserve to increase its discount rate, a move which would mean similar pressures in London. Consequently, the UK market was surprised, albeit pleasantly, by Wall Street's opening strength. Nevertheless, the sharpness of London's response last night indicated the nervous mood of the market.

Account Dealing Dates

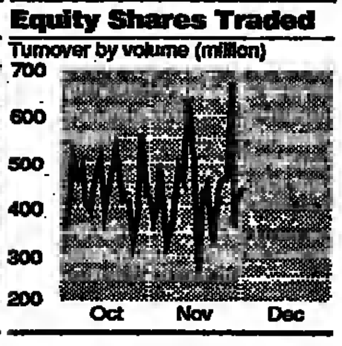
First Dealings	Nov 28	Dec 12	Dec 29
Option Declarations	Dec 8	Dec 22	Jan 12
Last Dealings	Dec 9	Dec 23	Jan 13
Account Day	Dec 19	Jan 9	Jan 23

*New time dealings may take place from 9.00 am two business days earlier.

FT-A All-Share Index



Equity Shares Traded



Steel "stags" dismayed

First dealings in British Steel proved a serious disappointment for the stags, with the 60p partly-paid shares achieving only a 2½p premium, a long way short of the most optimistic expectations. However, the final outcome was described by equity specialists as, "reasonably successful in current market conditions", with around 5 per cent of the equity changing hands.

The first deal after trading opened at 2.30 pm was struck at 63p for 2,900 shares, but this price was not seen again and some marketmakers later bid as low as 62½p for stock as huge turnover developed. At the closing price of 62½p, the premium of 2½p, compared with forecasts of a 7p or 8p premium last weekend.

Trading was extremely heavy, with 5m shares trading in the first minute, 51m within 5 minutes, and 100m within 10 minutes. By the close, 251m had turned over. Dealers said the trading pattern indicated, "some shuffling of institutional holdings, although several major funds are believed to have stayed out of the market." Little private investor business was reported.

Shortly before trading began, the IG Index, which invited customers to guess the first day's closing premium, stood at 62½p-64½p. However, much of yesterday's business was done at prices between 61p and 63p, with 61p proving the support line as marketmakers battled to keep pace with the flow of 2m and 3m-plus share bargains. Trading was so intense that for some time the Seaq strip, which shows best offer-best bid prices, showed no spread.

Goldman Sachs, the US investment house, appeared to be a determined buyer and for a time stood alone on the bid side, offering 60½p for shares.

Jaguar active

If Jaguar cars ran on speculation instead of petrol they would be the fastest cars on the road at present. The shares outstripped the market yesterday on hopes that the British car maker, long seen as a tasty morsel to be swallowed by one of the international car groups, is shortly to be the subject of a dawn raid by a European company. The stock went into overdrive first thing, up 17 to 280p, before finishing 13 better at 276p.

Active trading in the options market recently has been accompanied by speculation that Volkswagen may have built up a 3½ per cent stake in Jaguar. There was also unconfirmed talk last week that a bidder wanted 5m Jaguar shares.

Hoare Govett expressed the view yesterday that the shares are over-valued and are only being kept at current levels by market hopes of stake-building ahead of December 31, 1990 when two special factors, the UK Government's golden share and the 15 per cent limitation on shareholdings, both expire. Mr David Blackwood of Hoare Govett said: "On fundamentals I think Jaguar is overvalued. But I recognise that stake-building ahead of the 1990 dead-line has held sway".

Ward White down

Yet another downgrading in the beleaguered Stores sector saw Mr Nick Bubb, senior analyst at Morgan Stanley, lower his profits forecast for Ward White from £79.5m to £77m for this year and from £97m to £94m for 1989/90. The downgrading was not at the behest of the company, although Mr Bubb did speak to Ward White chairman Mr Philip Birch during the day. Ward White shares closed down 8 at 223p.

"The slowdown in diy spending, and its effect on the group's Payless diy subsidiary was behind the change." The downgrading was in line with other City forecasts and reflected the market's concern that Ward White's plans to create 20 new Payless and 60 new Halfords stores in 1989 could rebound on the group if consumer spending fails to pick up. "If the diy market doesn't recover there is every chance that Ward White's margins could be squeezed given the new space on stream next year," warned Mr Andrew Hughes of Hoare Govett.

Carless Capel, where Kelt is bidding 115p a share, jumped 3 to 120p after it was confirmed that Irish oil group Aran Energy is holding talks that could lead to a counter-bid for Carless. Aran shares were suspended at the outset of trading on the Dublin Exchange and simultaneously in London.

Talk in the market yesterday was that Aran may well make a bid worth 125p a share for Carless, but there were worries about a possible Aran rights issue with backing from America's Chevron.

A major rally took place in the leading oils. Shell, still bolstered by the two-for-one scrip, closed 7 higher at 980p. Enterprise bounced strongly and settled 3 higher at 481p, after 487p, with dealers speculating on possible news of the sale of LASMO's 25.2 per cent stake.

International stocks ended the session with a collective sigh of relief. Wall Street's strong performance stopped the day from turning into a rout.

Glaxo led the rally to end just 2 lower at 1053p, while ICI was 3 down at 970p. Beecham was steady all day and eventually rose 4 to 453p.

The clearing banks fell away but later rallied with the rest of the market to close with minimal changes. The biggest turnover was seen in Lloyds where the shares, having edged up to 334p early on, fell away to 330p before closing fraction easier at 331p; turnover was 2.9m.

Merchant banks came back across the board, with selling triggered by stories of big losses among securities operations during recent weeks and particularly last week. Morgan Grenfell, where there have been suggestions of major retrenchment at the bank's marketmaking operations, slipped back 2 to 289p.

Life assurances rallied well towards the close. Composites insurers made rapid progress to close with good gains overall after Warburg Securities was said to have taken a more bullish stance towards the sector at presentations in Glasgow and Edinburgh.

After a visit to the US Warburg analysts believe price cutting among property/casualty insurers there is decelerating and that the down cycle could therefore be close to touching bottom.

Royal Insurance were particularly well bid late in the day and settled 5½ up at 362½p, while General Accident added 4½ at 822½p.

The Brewery sector featured plenty of talk in Bass, due to report interim results on Wednesday. The range of forecasts is from £435m to £450m, with County NatWest WoodMac going for £445m. Several brokers have recently downgraded their forecasts. Turnover in Bass expanded to 1.2m yesterday as the shares lost 4 to 779p.

Grand Metropolitan shaded a penny to 445p in thin turnover after the company announced that it now holds over 58 per cent of Pillsbury shares. There was also unconfirmed talk that Grand Met may be about to unveil a deal with the West German restaurant group Wienerwald.

The building materials issues drew a measure of support at the lower levels and included a handful of firm features; Caradon closed 4 to the good at 322p after revealing interim profits.

Housebuilder Bryant Holdings, heavily sold last week after some severe profits downgradings — Citicorp Scrimgeour Vickers moved down from £60m to £53m and BZW from £62m to £54m — steadied and closed 2 up at 98p.

GEC topped the list of active stocks in the electronics sector with 6.3m shares changing hands; the company's interim figures are expected today with Prudential-Bache's Richard Johnson forecasting pre-tax profits up some 8.5 per cent at £306m.

Plessey, where GEC and Siemens have launched a joint bid of 225p a share, ended a shade firmer at 210p. Racal Electronic was friendless ahead of interim figures due next Tuesday and settled 4½ lower at 255½p.

The second-line issues included one of the day's worst performers in AB Electronics which plummeted 50 to 373p as the market realised the extent of the chairman's warning on profits at the agm.

Among food manufacturers, Unigate remained strong on persistent bid speculation and closed a shade up at 162p. Bejam, which fell sharply at the end of last week following the revised bid from Iceland Frozen Foods, continued to slide and closed 6 down at 155p. Iceland were a fraction off at 319p. One marketmaker said investors continued to fear the bid would not go through because of the reluctance of the Apthorp family, which controls 30 per cent of Bejam. However, with the shares at a discount of more than 27p to the part cash offer, institutions may be inclined to sell.

Alexon, the clothing group was unchanged at 325p following a 30 per cent rise in in half-year profits and a bullish presentation to analysts.

An increase in interim profits by Norcros of 21 per cent, in line with market expectations, was not sufficient to buoy the shares and they finished 10 down at 310p. Dobson Park, which produced profits up 25.5 per cent, put on 3 to 99p.

British Aerospace has been suffering recently from fears about the effects upon its business of the strengthening pound. But the shares recovered 9 yesterday to 439p as the market digested talk of possible links with Thomson of France.

Stores slipped lower as the 2 per cent rise in retail sales in October knocked hopes that the monetary squeeze on spending might be relaxed. Press speculation that US arbitrageur Mr Asher Edelman has acquired 5 per cent of Storehouse kept the Conran group in the limelight. Trading was lively as nearly 6m shares changed hands and the consensus among dealers was that although Edelman could well have a stake, it is unlikely he will use it to launch a bid. After a bright start the shares ended 5¼ weaker at 197p.

Body Shop dropped 22 to 516p as speculation mounted that the company will announce bad news on the trading front fairly soon. Lowndes Queensway fell 3 to 49p amid talk that the group may have to halve its planned 3p dividend this year.

Hammerson bucked the wider market trend amid speculation that Far Eastern property group Hongkong Land has been lined up as a "white knight" to foil the hostile bid from Dutch group Rodamco. Hammerson "A" shares closed 9 better at 929p and the ordinary shares 12 firmer at 899p.

In the Leisure sector, Brent Walker stole the headlines, falling 9 to 314p amid confident talk that it has arranged a bid for the Tolly Cobbold and Cameron pub chains owned by the Barclay brothers. The £235m deal was said to depend on the sale of Brent Walker's casino division for around £150m.

The debut of flower distribution group Channel Express proved a minor success. The group's 2.85m shares were placed at 70p, immediately opened a few points higher before ending the day with a 8 pence premium at 78p.

Turnover in traded options reached reached its eighth highest total ever, at its ordinary closing time, of 4.05 p.m., of 60,088 contracts, and with trading in British Steel boosting business further by the expiry of its special, introductory closing time of 5 p.m. By the close of all dealings, British Steel options contracts had reached some 20,000 contracts, representing 1,000 shares apiece, with call contracts outweighing put roughly in the ratio of 11 to 8. Jaguar stole the Steel thunder, however, on the much smaller total of 5,375 contracts, divided between 5,151 calls and 224 puts. The overall business in standard hours lay in 31,867 calls and 28,221 puts. There was again heavy trading in the FT-SE 100 index contract, a total of 15,247 contracts consisting of 3,407 calls and 11,840 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (7). BANKS (2) [illegible] Channel Islands, CLF 6¼pc Cv. Pf., INDUSTRIALS (2) Pentland Metal, [illegible], PROPERTY (1) [illegible], TEXTILES (1) [illegible], PLANTATIONS (1) Anglo-East Plants. NEW LOWS (173). AMERICANS (2) Eaton Corp., CANADIANS (2) [illegible], BANKS (4) Hambros, Kleinwort Benson, Lon. Scot. Bank, Rea Bros., BUILDINGS (12) CHEMICALS (3) Astra Hldgs., Engelhard, Thurgar Bardex, STORES (8) Ashley (L.), Brown (N.), Dewhirst (I.J.), Lowndes Q'way., Mallett, PML, Sumner Int'l., Ward White, ELECTRICALS (12) ENGINEERING (4) Habit Precision, Hobson, Locker (T.) 'A', ML Hldgs., FOODS (6) Acatos & Hutcheson, Gateway Corp., Hillsdown Hldgs., Hunter Saphir, Park Food, Tesco, INDUSTRIALS (19) Bluebird Toys, [illegible], Howie (J.), Hyson, NMW Comps., Norcros, Pergamon AGB, Reed Exec., Spring Ram, TT Grp., [illegible], Tech. Project Serv., Tomkins (F.H.) 8pc Cv. Pf., Wolseley, YRM, INSURANCE (2) FAI Ins., London Utd., LEISURE (2) Brent Walker 8pc Pf., Hi-Tec Sports, NEWSPAPERS (1) [illegible], PAPERS (8) PROPERTY (7) Combine Est. Agts., Cons. Tern. Invs., McInerney, Merchant Manuf. Ests., Parkdale Hldgs., Rockfort, Shield 5.84pc Net Cv. Cm. Pf., SHIPPING (2) P. & O. Sub Wrrnts. '88-'92, Do. 6¾pc Cv. Rd. Pf., TEXTILES (1) Lowe (R.H.), TRUSTS (14) OVERSEAS TRADERS (2) Antofagasta 5pc Pf., Nesco Invs., MINES (4) Golconda Mins., Parinca Mng/Exp., Swan Res., Ennex Int., THIRD MARKET (2) Far East Res., Kemp (P.E.).

FINANCIAL TIMES STOCK INDICES

	Dec. 5	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.94	86.90	86.97	87.03	86.96	89.04	91.43 (18/4)	86.28 (12/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.49	97.00	97.10	97.19	97.31	96.75	98.87 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1438.0	1439.7	1450.2	1458.0	1455.4	1279.3	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	180.7	178.7	179.0	178.4	181.1	313.2	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Dec. 5	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Year Ago
Ord. Dl. Yield	5.02	5.01	4.97	4.89	4.90	4.87
Earning Yld %(full)	12.71	12.69	12.59	12.30	12.33	12.05
P/E Ratio(Net)(☆)	9.50	9.52	9.59	9.84	9.82	10.14
SEAQ Bargains(5pm)	24,971	20,845	20,702	21,642	21,928	20,542
Equity Turnover(£m)†	-	1023.53	1018.28	1006.29	836.02	646.07
Equity Bargains†	-	21,544	20,839	21,534	22,617	21,438
Shares Traded (ml)†	-	444.8	411.5	406.3	355.1	-

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
n/a	1438.0	1436.7	1429.1	1427.6	1429.9	1431.1	1437.5

DAY'S HIGH 1443.3 DAY'S LOW 1427.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.46 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Dec. 2	Dec. 1
Gilt Edged Bargains	89.8	106.1
Equity Bargains	139.6	135.0
Equity Value	2068.8	2058.2
5-Day average		
Gilt Edged Bargains	101.5	109.3
Equity Bargains	143.8	157.0
Equity Value	1913.9	2058.4

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,600	141½	-½	Commercial Union	1,100	317	+1	Ladbroke	2,400	421	-5	Rothmans	3330	414	-3½
Abbey Life	1,700	282½	+1½	Cons. Gold Fields	123	£11⅛	+⅛	Land Securities	1,100	576	+1	Royal Bk. of Scotland	714	351	-1
Allied-Lyons	1,900	462	-1	Cookson	723	260½	+4	Laporte	360	380		Royal Insurance	627	362½	+5½
Amstrad	2,800	150	-2	Courtaulds	1,600	264	-1	Legal & General	439	260	+1	STC	2,300	260	-2
Argyll Group	3,200	161	-1	Dalgety	573	301	-3	Lloyds Bank	3,200	331	-2	Saatchi & Saatchi	434	326	
Ass. Brit. Foods	155	301½	-1½	Dixons	422	140	-1½	LASMO	1,164	451	-3	Sainsbury	512	193	-3½
BAA	943	265		Eng. China Clays	754	450	+1	Lonrho	3,600	371	-9	Scott & Newcastle	131	396	
BAT	1,800	423	-5	Enterprise Oil	1,900	481	+3	Lucas	624	534		Sears	4,300	113½	-2
BET	713	226		FKI Babcock	2,500	128	+2	MB Group	579	247	+3	Shell Transport	1,100	980	+7
BICC	1,400	378	-4	Fisons	1,500	232		MEPC	860	555	-1	Siebe	265	358	-1
BOC	1,000	492		Gateway Corp.	2,100	153	-2	Marks & Spencer	2,299	143		Slough Ests	146	315	-1
BPB Inds.	685	225	+½	General Accident	158	822½	+4½	Maxwell Comm.	1,200	182	+1	Smith & Nephew	1,900	115	-1
BTR	1,200	283	+1	General Elect.	4,700	175		Midland Bank	1,300	416	-2	Standard Chartd.	901	474	
Barclays	746	466	-3	Glaxo	1,190	£10½	-⅛	Nat. West. Bank	1,300	529	-2	Storehouse	5,700	197	-5½
Bass	1,200	779	-4	Globe Inv.	690	135½	-1½	Next	5,378	132	-4	Sun Alliance	531	926	-11
Beazer	710	165½	+1½	Glynwed Int.	1,400	247	-7	Northern Foods	518	274		T&N	722	167	
Beecham	1,386	453	+4	Granada	1,100	316		Pearson	277	659	-2	TSB	1,200	106	-½
Blue Arrow	2,800	89½	-1	Grand Met.	736	445	-1	Pearl	236	488	-	Tarmac	746	214	-3
Blue Circle	930	431	+2	GUS A	218	979	-8	P & O	2,200	537	-7	Tate & Lyle	26	890	-3
Boots	1,400	218	-3	GRE	2,100	175½	-1½	Pilkington	3,490	208	-5	Tesco	4,700	131	-2½
British Airways	2,900	156	+1½	GKN	505	304	+3	Plessey	1,100	210	+1½	THORN EMI	812	629	-3
Brit. Aerospace	828	439	+9	Guinness	5,100	323	-5	Prudential	3,500	165½	+½	Trafalgar House	873	386½	+½
Brit & Comm.	912	228		Hammerson 'A'	152	899	+12	Racal	1,600	255½	-4½	Trusthouse Forte	1,000	261	+2
British Gas	4,300	157	+½	Hanson	5,600	152½	-½	Rank Org.	164	603	+2	Ultramar	270	244	+1
British Land	921	360	-1	Harrisons & Cros.	91	646	-5	RMC	358	481		Unilever	783	442	-1
BP	5,095	243½	+½	Hawker Siddeley	532	525	+3	RHM	297	342	-2	United Biscuits	2,100	285	-2
British Telecom	2,600	254	+1	Hillsdown Hldgs.	2,100	250½	-2	Reckitt & Colman	174	985	+2	Utd. Newspapers	73	387	
Burmah Oil	1,403	479	-9½	IMI	633	179	-½	Redland	142	399	-1	Wellcome	555	415	-2
Burton	1,400	172		Imp. Chem.	1,100	970	-3	Reed International	1,600	367	+2	Whitbread 'A'	540	385	
Cable & Wireless	2,800	363	-2	Inchcape	824	283	-3	Reuters 'B'	445	475	+7	Williams Hldgs.	1,500	239	+2
Cadbury Schweppes	3,400	343	-3½	Jaguar	4,353	276	+13	RTZ	979	425	-1	Wimpey	1,400	240½	-2½
Coats Viyella	1,900	158						Rolls Royce	1,600	127½	+½	Woolworth Hldgs.	645	243	-2

APPOINTMENTS

Senior posts at General Accident

■ Mr Norman Graham, general manager and chief actuary of GENERAL ACCIDENT LIFE and General Accident Linked Life, is to retire on December 31. He will be succeeded on January 1 by Mr Jack Philp, deputy general manager. Mr Bill Jack, marketing manager of General accident, has been appointed assistant general manager (UK) from January 1.

■ Mr David Head and Mr Adam White, both formerly of Shearson Lehman Hutton, have joined COUNTY NATWEST WOODMAC's European trading team as a director and assistant director respectively.

■ INSITUFORM GROUP has appointed Mr David S. Lewis as chief financial officer, succeeding Mr Toby Ramsden, who remains corporate secretary. Mr Lewis, who was with General Electric Company, US, also assumes the new post of general manager, Americas operations.

■ Mr David Bull has been appointed a non-executive director of EXPORT NETWORK. He is director of data services at Cable & Wireless.

HILL SAMUEL INVESTMENT SERVICES GROUP has appointed Mr John Penny as director, UK operations, with responsibility for the following group companies; Hill Samuel Life Assurance, Hill Samuel Personal Finance, Universal Credit, Hill Samuel Unit Trust Management, Hill Samuel Private Client Management, Robert White & Co. and Hill Samuel Investment Services. He joins from TSB Group where he has been assistant director, corporate development since 1987.

■ GIROBANK has appointed Mr Derek Whittingham as head of credit and risk. He was senior corporate banking director with Midland Bank. Mr Gerald Gregory has been appointed to the new post of strategic planning manager. He was assistant treasurer.

■ KVAERNER ENGINEERING, Slough, has appointed Mr Graham D. Pritchard as managing director. He was marketing manager.

■ UNITED BISCUITS has made the following appointments. Mr Martin Lawrence becomes managing director of UB Chilled Foods, a division of UB (Ross Young's). He was sales director of the biscuits division and managing director of the export division of UB Brands. In the UB Brands' biscuits division Mr John Gilliatt becomes deputy managing director from manufacturing director; Mr Alan Coates to sales director from sales and marketing director of KP Foods' own brand division; Mr Alan Palmer to managing director, export and continental Europe, from managing director, UB Continental Businesses; Mr Mark Laing, production director, and Mr Graham Pinkerton, technical director, are appointed to the board.

■ RACAL-CHUBB SECURITY SYSTEMS has promoted Mr David Mitchell, formerly operations manager, to operations director, and Mr Daniel Williams, formerly engineering manager, to director of systems engineering.

■ Mr Colin Thomas has been appointed financial director of BROHOME, near Caerphilly.

STANLEY TOOLS has appointed Mr Robert DePatie as managing director. He succeeds Mr Noel Williams who will remain as a consultant until his retirement at the end of March. Mr DePatie was president and general manager of both the the steel and strapping systems divisions in the US.

■ Dr Gary Vanstone has been appointed managing director and chief executive of the RACAL-REDAC group. He was managing director of Racal Research and Racal Microelectronic Systems.

■ Mr John E. Jackson has been appointed to the board of THE BODY SHOP. He joins from The Healthcare Foundation, where he was chief executive of the trading arm.

FT UNIT TRUST INFORMATION SERVICE

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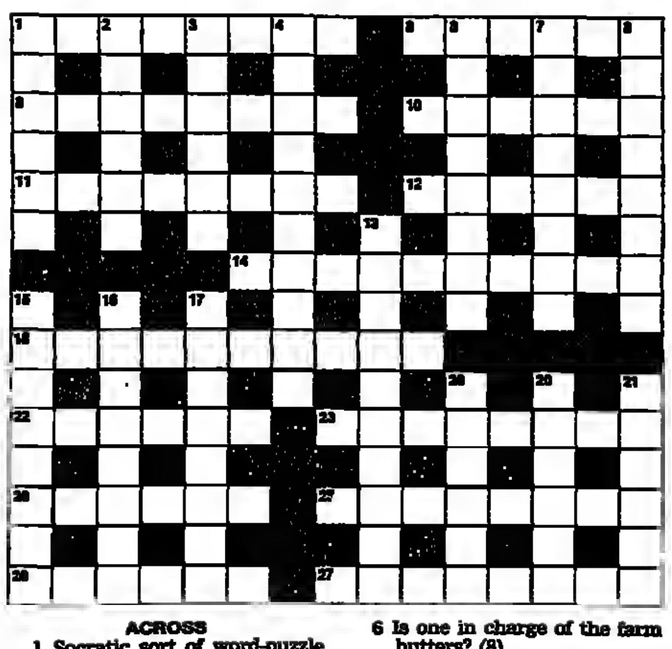
AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,804 Set by DINMUTZ



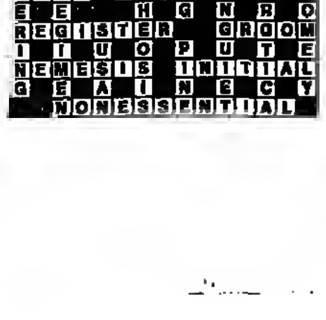
ACROSS

1 Socratic sort of word-puzzle (8)
5 Rough region to pass over (6)
9 Catalogue, if in superior cover (8)
10 Gift of old money (6)
11 Cheat abroad reverses streetcars (8)
12 Piece of meat at home for the composer (6)
14 False trade-plate found in the Lake District (10)
18 Fine lines on old constable, say? (10)
22 Looks forward to a waist that changes shape (6)
23 Motorway anxiety kept woman here (8)
24 Old bird providing hot water (8)
25 Pop article in French newspaper (8)
26 Hemingway in modern estimation? (6)
27 A second-best outsize heat-shield (8)

DOWN

1 Hook thrown overboard (6)
2 Venetian news source? (6)
3 Oil-producer from middle eastern seas, perhaps (6)
4 Off the cuff, tell accomplice (10)
6 Is one in charge of the farm butters? (8)
7 Public plot having no dividing walls (4,4)
8 Former wife nursed and was really stretched (8)
13 Turns sides out of such robust character (10)
15 Confusion of order given to *the few* (8)
16 Swimming-race includes some army volunteers (8)
17 Yet lock will not prevent it from flying up the wall (8)
19 Walked with purpose around Dorset (6)
20 Start out to get record in the river (6)
21 Prized things like television receivers (6)

Solution to Puzzle No.6,803



London & Manchester (Tst Mgmt) Ltd (1000)H

Winslade Park, Exeter EX5 1DS 0392 282673

American	5	26.96	27.26	28.94	-0.30	0.9
General	5	46.68	46.89	49.78	-0.25	3.7
Income	5	43.75	44.12	46.84	-0.16	5.7
International	5	33.32	33.63	35.70	-0.22	1.0
Japan	5	44.56	49.86	52.93	-0.48	0.0
Tst of Inc Trusts	5	35.06	35.61	37.80	-0.19	2.1

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✱ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Swiss Life Pen Tst Man Co Ltd (1000)F
99-101 London Rd, Sevenoaks 0732 450161

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist	5	318.5	322.6	341.4	-1.2	3.26
Equity Acc	5	414.6	420.0	444.4	-1.5	3.26
Fixed Int Dist	5	112.7	114.3	118.4	-0.3	8.58
Fixed Int Acc	5	207.6	210.5	218.1	-0.4	8.58

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	90.81	90.81	[illegible]	[illegible]	[illegible]
Do Accum	6	97.46	97.46	[illegible]	[illegible]	[illegible]
TSB Gilt Growth	6	52.27	52.27	[illegible]	[illegible]	[illegible]
Do Accum	6	54.59	54.60	[illegible]	[illegible]	[illegible]
TSB European	6	50.67	50.67	[illegible]	[illegible]	[illegible]
Do Accum	6	52.05	52.05	55.37	[illegible]	[illegible]
TSB Extra Income	6	142.86	146.21	155.54	[illegible]	[illegible]
Do Accum	6	184.40	188.73	200.78	[illegible]	[illegible]
TSB Smaller Cos	6	51.02	53.15	56.54	[illegible]	[illegible]
Do Accum	6	51.95	54.09	57.54	[illegible]	[illegible]
TSB General	6	171.34	171.34	182.17	[illegible]	[illegible]
Do Accum	6	296.42	296.42	315.34	[illegible]	[illegible]
TSB Premier Income	5	46.70	47.15	49.11	[illegible]	[illegible]
Do Accum	5	71.69	72.37	75.38	[illegible]	[illegible]
TSB Income	6	253.44	257.83	274.29	-1.40	5.19
Do Accum	6	431.13	438.60	466.60	-2.38	5.19
TSB Pacific	6	205.82	209.02	222.36	-2.36	0.32
Do Accum	6	214.00	217.32	231.19	-2.46	0.32
TSB International	6	312.28	312.28	332.21	[illegible]	0.89
Do Accum	6	394.60	394.60	419.79	[illegible]	0.89
TSB Nat Resources	6	56.82	58.09	61.80	[illegible]	1.74
Do Accum	6	60.25	61.58	65.51	-0.50	1.74
TSB Social Opps	6	75.71	75.71	80.54	[illegible]	2.84
Do Accum	6	86.44	86.44	91.96	-0.71	2.84

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	58.66	58.66	62.83	[illegible]	1.32
Australia	5	6.702	6.702	7.371	-0.58	0.30
Commodity	5	71.75	71.75	77.39	-0.56	0.64
Conv&Gilt	5	138.4	138.4	149.4	-1.1	5.12
Equity	5	146.8	146.8	158.4	-0.9	3.38
Euro Spec Sits	5	80.18	80.18	86.06	-0.19	1.58
Financial	5	29.53	29.53	32.32	-0.42	2.18
Global Opps Inc	5	53.06	53.06	57.18	-0.25	0.65
Global Opps Acc	5	53.46	53.46	57.61	-0.25	0.65
Gold Income	5	43.53	43.53	46.00	[illegible]	0.00
Gold Acc	5	80.18	80.18	86.20	[illegible]	0.00
Income	5	99.30	99.30	107.2	-0.4	4.73
Japan	5	126.1	126.1	135.9	-0.7	0.00
Pacific Inc	5	112.9	112.9	121.8	[illegible]	[illegible]

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Nov 30	211.95		—	5.87
Equity Nov 30	695.75		—	4.18
Fxd Int.Sec Nov 30	97.40		—	10.60

* Available only to Local Authorities

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngt Pens (Acc)	54.4	58.0	—	0.40

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Exmt.Nov 30	36.0	37.7	+0.0	2.53
Euro Exmt Nov 30	40.8	42.8	+0.0	2.71
Fixed Int Ex Nov 30	49.0	51.3	+0.0	9.93
Japan Exmt Nov 30	56.7	58.4	+0.0	0.45
Managed Ex Dec 1	37.9	39.9	+0.0	9.84
SE Asia Exmt Nov 30	33.7	35.3	+0.0	2.12
Sm Cos Exmt Nov 30	42.4	44.5	+0.0	2.85
UK Eqty Ex Nov 30	34.6	36.3	+0.0	4.6

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.3	—	–

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co's Nov 1	815.0	861.0	—	3.85
Do Accum	842.0	889.0	—	3.85
PDFM Int Exmt Dec 1	120.0	122.1	—	2.46

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	96.30	97.33	—	2.49

INSURANCES

AA Friendly Society
Investment Mngt. M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Nov 11		143.4	—	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	261.1	274.9		–
Equity Ser. 1	109.7	115.5	-0.4	–
Prop. Acc. Ser 2	390.0	410.6		–

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	52.8	00.6	-0.4	-
Stock Market Mngd Fund	50.3	52.9	-0.4	-
Equity Fund	53.4	56.2	-0.5	-
International Fund	47.5	50.0	-0.5	-
European Fund	48.3	50.9	+0.3	-
North American Fund	41.2	43.3	-0.5	-
Pacific Fund	60.1	63.3	-0.4	-
Property Fund	68.5	72.2	-	-
Fixed Interest Fund	51.6	54.5	+0.2	-
Index linked Sec Fund	53.4	56.2	-	-
Deposit Fund	55.1	58.0	+0.1	-
NUAM Retirement Plans				
Mixed Fund	57.0	60.0	-0.3	-
UK Ordinary Share Fd	62.7	66.0	-0.9	-
International Fund	49.6	52.2	-0.2	-
Property Fund	67.2	70.8	-0.2	-
Fixed Interest Fund	56.3	59.2	-0.1	-
Index Linked Sec Fund	54.8	57.7	-	-
Deposit Fund	59.3	62.5	+0.1	-
NUAM (NEF)				
Managed Fund	738.8	777.7	-4.9	-
Equity Fund	1450.0	1526.4	-10.2	-
Property Fund	432.1	454.9	+0.1	-
Fixed Interest Fund	384.9	405.2	-1.7	-
Deposit Fund	225.3	237.2	+0.2	-
International Fund	124.8	131.4	-1.3	-
Index Linked Sec Fund	54.1	57.0	-	-
Norwich Union Life Insurance Soc.				
PO Box 149, Norwich NR1 3NG 0603 622200				
Unitised Pensions				
With Profits Fd	108.81	114.53	+0.12	-
Managed Fd	115.03	121.00	-0.79	-
UK Equity Fd	116.07	122.18	-1.53	-
International Fd	117.88	124.09	-0.26	-
European Fd	110.80	116.63	-0.27	-
North American Fd	106.46	112.06	-0.17	-
[illegible]				

Providence Capital Life Assc. Co Ltd — Contd.

Broker Fund: Towerhill Mngd Fd Acc.; High Performance; YRA Executive Fd; Investment Master; H.F. Speculator Fd; $ High Inc Money Fd; £ Global Growth Fd; PEP Acorn U.; AAFS Int Man Fund.

Individual Pension Funds: UK Equity Acc.; UK Fixed Interest Acc.; Intl Equities Acc.; UK Managed Acc.; Property Acc.; Money Acc.; Special Market Acc.; Japan Equity Acc.; North American Acc.; Pacific Acc.; Technology Acc.; Natural Resources Acc.; European Acc.; Residential Prop Acc.; Swiss Equities Acc.; Hong Kong Acc.; UK High Inc Eqs Acc.; Int. Fixed Interest Acc.; Int. Managed Acc.

Broker Fund: Towerhill Mgd Pen Acc.

Group Pension Funds: Equity Acc.; Fixed Interest Acc.; Managed Acc.

Provident Life Assoc Ltd

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

IoM AUTHORISED

[illegible]

OFFSHORE INSURANCES

[illegible]

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FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or –	Yield Gross
CMI Insurance Co Ltd				
Clerical Medical Hse, Douglas I.O.M.			0624 25599	
Income Fd £	48.5	51.6	-0.1	–
Security Fd £	47.9	51.0	-0.2	–
Balanced Fd £	50.0	53.2	-0.3	–
Opportunity Fd £	50.5	53.8	-0.4	–
Income Fd $	48.8	52.0		–
Security Fd $	47.9	51.0	+0.1	–
Balanced Fd $	53.5	56.8		–
Opportunity Fd $	55.4	59.0	+0.1	–
Hughes Intl Direct Gth.	47.3	50.4		–
For other Unit Prices phone 0624 25599				
Eagle Star International				
Hillary Hse, Prospect Hill, Douglas, IoM			0624 20601	
Stlg Blue Chip	£0.975	1.049		–
Stlg Performance	£0.951	1.023	-0.002	–
Stlg Adventurous	£0.947	1.019	-0.008	–
US Dollar Blue Chip	$1.006	1.082	+0.001	–
US Dlr Performance	$0.969	1.042	+0.001	–
US Dlr Adventurous	$1.001	1.077	+0.003	–
Eagle Blue Chip*	£5.428	5.919	+0.004	–
Eagle Performance*	£5.296	5.775	+0.007	–
Eagle Adventurous*	£5.372	5.858		–
* Prices quoted are Sterling equivalent. For other fund prices please ring 0624 20601				
Equity & Law Intl Life Assce Co Ltd				
Victory Hse, Prospect Hill, Douglas, IoM			0624 77877	
European Equity	63.4	68.1		–
Far Eastern Equity	$1.333	1.433		–
North American Equity	$0.543	0.583		–
UK Equity	65.7	70.6		–
UK Gilt & Fixed Int.	60.4	64.9		–
Dollar Deposit	$0.559	0.600		–
Sterling Deposit	61.3	65.9		–
Managed Currency	58.3	62.6		–
International Managed	63.3	68.0		–
Eurolife Assurance Group				
5-11 Mortimer St, London W1N 7RH			01-631 0778	
Sterling Eurobond Fd.		146.8		–
Intl Eurobond Fd.		144.5		–
Discretionary Fund		114.0		–
Finance International Ltd				
Sydney Vane Hse, St Peter Port, Guernsey				
Intl $ Strategy Fd.	0.989	1.069		–
Intl £ Strategy Fd.	96.2	103.4		–
Underwritten by Providence Capital Intl.				
Hansard International Ltd.				
29-31 Duke Street, Douglas IoM.			0624 72111	

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	99	Treas 11½pc 1989	99	.....	11.55	12.95
101	98	Treas 9½pc Cnv 1989	98	.....	9.61	12.78
97	95	Treas 3pc 1989	96	.....	3.10	10.47
102	99	Treas 10½pc 1989	99	.....	10.60	12.54
102	98	Exch 10pc 1989	98	.....	10.17	12.66
103	98	Exch 11pc 1989	98	.....	11.12	12.44
97	94	Treas 5pc 1986-89	95	+	5.25	10.89
104	98	Exch 10¼pcCv '89	98	.....	10.39	11.74
107½	101	Treas 13pc 1990‡‡	101	.....	12.85	11.77
104	99	Exch 11pc 1990‡‡	99	.....	11.09	11.70
107	100	Exch. 12½pc 1990	100	.....	12.40	11.81
93	90	Treas. 3pc 1990	91	+⅛	3.30	10.10
99	95	Treas 8¼pc 1987-90‡‡	95½	.....	8.63	11.52
102	95	Treas. 8pc Cv 1990 ‡‡	96	.....	0.29	10.42
103	97	Treas. 10pcCv 1990	97	.....	10.26	11.53
91	87	Exch 2½pc 1990	87½	+	2.85	9.53
107	100	Treas 11¾pc 1991	100	+	11.67	11.40
95	89	Funding 5¾pc '87-91‡‡	89	.....	6.40	10.78
90	86	Treas. 3pc 1991	86	+	3.48	9.49
105	98	Treas 10pc Cv '91 ‡	98	.....	10.17	10.75
107	99	Exch. 11pc 1991	99	.....	11.07	11.24
98	91	Treas. 8pc 1991	91	+	8.70	11.20
113	104	Treas 12¾pc 1992‡‡	104	+	12.22	11.04
104	97	Treas 10pc 1992	97	+	10.29	11.03
96	91	Treas. 8pc 1992 ‡	91	+	8.72	10.99
106	98	Treas 10½pc Cv 1992‡‡	98	+	10.64	10.97
86	82	Treas. 3pc 1992	82	+	3.64	8.95
112	103	Exch. 12¼pc '92	103	+	11.83	11.04
117	107	Exch 13½pc 1992	107	+	12.57	11.04
97	91	Treas 8¼pc 1993	91	+	9.04	10.87
105	97	Treas 10pc 1993‡‡	97	+	10.27	11.76
115	105	Treas 12½pc 1993‡‡	105	+	11.82	10.87
93	85	Funding 6pc 1993‡‡	85	+	7.00	9.80
121	110	Treas 13¾pc 1993‡‡	110	+	12.41	10.88

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Undated				
44	41	Consols 4pc	49	–	9.10	–
40	37	War Loan 3½pc‡‡	39	–	0.85	–
62	48	Conv. 3½pc '61 Aft.	61½	–	5.69	–
33	30	Treas. 3pc '66 Aft.	32½	–	9.34	–
28	26½	Consols 2½pc	27½	–	9.09	–
28	26½	Treas. 2½pc	27½	–	9.09	–

Index–Linked

1988 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
124	117½	Treas 2pc IL '90(84.6)	124	+	1.10	3.41
105	99	Do. 2pc '92‡‡(97.8)	104	+		3.43
96	92½	Do. 2 '94 (102.9)	95	+		3.61
142	127	Do. 2pc '96(67.9)	140	.....		3.58
121	103	Do 2½pc '01(78.3)	119	+		3.69
118	101	Do. 2½pc '03(78.8)	116	+		3.74
120	102½	Do. 2pc '06(69.5)	119	+		3.74
113	95	Do. 2½pc '09(78.8)	111	+		3.73
117	99	Do. 2½pc '11(74.6)	116	+		3.72
97	82	Do. 2½pc '13(89.2)	96½	+		3.70
105	88	Do. 2½pc '16(81.6)	104	+		3.66
103	87	Do. 2½pc '20(83.0)	102	+		3.59
87		Do. 2½pc '24‡‡(97.7)	86	+		3.54

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1988:104.1 and for October 1988:109.5

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	104	+	10.63	10.57
104	96	Asian Dev Bk 10¼pcLn2009	100	+	10.16	10.14
129	120	Australia 13½pc 2010	125	+	10.72	10.44
112	103	Do. 11¾pcLn2015	109	+	10.38	10.31
110	103	Euro Inv Bk 11pc Ln 2002	104	+	10.48	10.31
105	98	Do. 10¼pc2004	100	+	10.30	10.27
120	112	Int-Am Dev Bk 12½pc 2003	115	+	10.87	10.42
98	91	Do. 9¾pcLn 2015	96	+	10.12	10.15
96	86	Mlysia 10¾ pcLn 2009	95	.....	11.29	11.35
121	87	Utd. Mexican States 16½pc 2008	120	.....	13.64	12.85

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	17.78
45	33	Do. 6pc 28 Stb Ass.	45	.....	3	16.67
45	33	Do 4pc Mixed Ass.	45	.....	2	14.44
80	63	Hung. '24 Ass.	80	.....	2.75	13.57
140	128	Hydro Quebec 15pc 2011.	135	+	15.00	10.79
131	118	Iceland 14½pc Ln 2016	124	+	14.50	11.57
101	37	Ireland 9¾pc '91-96	96	.....	9.75	10.45

AMERICANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29½	22	Abbott Laboratories	24	–		–	2.7
649p	352p	Allegheny & W 1c.	350p	.....		–	4.6
14	862p	Amax $1	12	.....		–	0.9
15	8	Amdahl 5c.	966p	.....		–	0.6
31	22	Amer. Cyanamid $5	24	–½		–	2.7
17	11	Amer. Express 60c.	14	.....		–	3.2
10	668p	Amer. Medical Int. $1	822p	-22		–	4.8
17	13	American T. & T. $1	15	–		–	4.3
56½	44	Ameritech $1	49	–		–	6.1
19	15	Anheuser-Busch $1	16	–		–	2.4
10	360p	BankAmerica $1	950p	-25		–	–
24	16	Bankers N.Y. $1	20	–	$1.86	–	5.1
42	34	Bell Atlantic $1	37	–½	$4.08	–	6.0
25	19	BellSouth Corp.	21	–	$2.36	–	6.1
15	850p	Bethlehem Steel $8.	10	–	–	–	–
13	801p	Bio-Rad Labs. Inc. "A"	975p	.....	–	–	–
23	14	Bowater Inc.	14	–	$1.12	–	4.3
16	11	Browning-Ferris 16.6c.	14	–	48c	–	1.9
13	787p	Brunswick 75c.	9	.....	44c	–	2.7
33	21	CPC Intnl. 25c.	27	–½	$1.44	–	2.9
18	13	CSX $1	16	+	$1.24	–	4.1
892p	134p	California Engy	850p	.....	–	–	–
16	11	CalFed Inc $1	11	.....	$1.40	–	6.6
20	12	Campbell Soup 15c.	16	–	84c	–	2.8
39	31	Caterpillar Inc $1	33	–	75c	–	1.3
18½	11	Chase Manhattan $12½	14	–	$2.16	–	8.0
19	11	Chem. Banking Corpn.	18	+	$2.72	–	8.3
19	11	Chrysler $6¼	14	+	$1.00	–	3.9

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound continues to advance

SPECULATIVE MONEY looking for an attractive resting place moved into sterling yesterday. Money moving out of the dollar was attracted to the pound by high London interest rates, and by the lacklustre performance of the Japanese yen.

Intervention by the Bank of England, to stem sterling's rise, appeared to have been confined to selling the pound against the dollar, and was not on a large scale.

Sterling rose to its highest level against the dollar since May, rising 1.35 cents to $1.8700. It also climbed to the best level since August against the D-Mark, closing at DM3.2250 compared with DM3.2100 on Friday.

In terms of the French franc the pound advanced to a three-year peak, rising to FFr11.0150 from FFr10.9725. Sterlingalso *improved* to Y227.00 from Y225.25, and to SFr2.7025 from SFr2.6925.

The pound's exchange rate index, according to the Bank of England, rose 0.2 to 78.7, the strongest since May.

There were no fresh factors, hut the dollar maintained a weak tone, after last Friday's US employment data failed to produce a rise in the Federal Reserve's discount rate, and *also failed to prevent the dollar* sliding, in spite of the Fed's intervention on Friday.

A much larger than expected rise in November US non-farm payrolls, was offset by some conflicting data, including a rise in the total unemployment rate, and a downward revision to the October payrolls figure.

At the close in London yesterday the dollar had fallen to DM1.7240 from DM1.7290; to SFr1.4450 from SFr1.4500; and to FFr5.8900 from FFr5.9100, bnt was little cbangsd at Y121.45, against Y121.40.

On Bank *of* England figures the dollar's index fell to 91.9 from 92.3.

The yen's less than impressive performance was largely symbolic, reflecting news of a deterioration in the health of Emperor Hirohito.

The Emperor's condition was described as critical in Tokyo, and trading slowed as a mark of respect. Japanese institutions do not wish to be seen *benefitting from speculation* on the foreign exchanges at such a sensitive time.

The French franc held up well in quiet Paris trading, gaining ground against the dollar and the D-Mark, in spite of growing concern about labour unrest, illustrated by the strike among public transport workers.

As the situation threatened to develop into a political crisis, the head of the French employer's association said the strikes threatened a fragile economic recovery. He added that companies are suffering from the strike to a much greater extent than is being reported.

In Frankfurt there was little reaction to news of a West German current account surplus of DM7.9bn in October, compared with DM5.9bn in September.

The West German Bundesbank did not intervene when the dollar was fixed at DM1.7223, against DM1.7334 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5523	+2.58	+0.77	±1.5344
Danish Krone	7.85212	8.01622	+2.09	+0.28	±1.5404
German D-Mark	2.05853	2.07906	+1.00	-0.81	±1.0981
French Franc	6.90403	7.10165	+2.86	+1.05	±1.3674
Dutch Guilder	2.31943	2.34480	+1.09	-0.72	±1.5012
Irish Punt	0.768411	0.776533	+1.06	-0.75	±1.6684
Italian Lira	*1483.58*	*1537.20*	*+3.61*	*+2.50*	*±4.0752*

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.5	Latest	Previous Close
£ Spot	1.8678-1.8683	1.8660-1.8670
1 month	0.50-0.49pm	0.56-0.54pm
3 months	1.43-1.41pm	1.75-1.72pm
12 months	4.80-4.70pm	6.00-5.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

POUND SPOT- FORWARD AGAINST THE POUND

Dec.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8645-1.8725	1.8695-1.8705	0.57-0.54cpm	3.56	1.71-1.67pm	3.61
Canada	2.2120-2.2205	2.2170-2.2180	0.55-0.41cpm	2.60	1.20-1.07pm	2.05
Netherlands	3.62½-3.64	3.63-3.64	2⅛-2⅛cpm	8.05	6⅞-6⅝pm	7.43
Belgium	67.30-67.60	67.45-67.55	37-33cpm	6.22	103-96pm	5.90
Denmark	12.39¾-12.43½	12.39¾-12.40¾	6-5¼orepm	5.38	15¾-14¾pm	4.92
Ireland	1.1990-1.2060	1.2040-1.2050	0.62-0.52cpm	5.68	1.58-1.48pm	5.08
W. Germany	3.21¼-3.22¼	3.22¼-3.22¼	2¼-2⅛pfpm	8.14	6¼-6⅛pm	7.75

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

Taiwan	52.45-52.75	28.10-28.20
U.A.E.	6.8640-6.8710	3.6720-3.6730

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10. Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices cautiously firmer

Sterling based prices finished with small gains in yesterday's *Liffe* market. While the size of the improvement was relatively modest, the rise in itself denoted a change in sentiment. Investors are now becoming more geared towards UK base rates holding at 13 p.c., at least until the UK Budget next March.

Consequently, a 2.0 p.c. final rise in October retail sales - above most expectations - was absorbed without too much trauma. Credit advances were just on the right side of bearable, by showing a slight decline from a rise in September of £3.57bn to an increase in October of £3.45bn.

In addition, many investors are already running short positions, and for this reason alone, the downside potential on three-month sterling deposit futures may be limited.

Prices moved firmer after the opening, as many traders expected a downward revision in retail sales. However a worse than expected figure was swallowed without too much reaction, and three-month sterling deposits for March delivery rose to 86.96 from 86.37 at the start and 86.89 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8700	1.8644	1.8531	1.8368	1.8105

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.8666	1.8668	1.8642	1.8616
Mar	1.8516	1.8520	1.8490	1.8468
Jun	1.8330	1.8330	-	1.8308

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
NAT.NED. C	Fl. 60	76	3.70	1	5.50	5	5.70	Fl. 62.50
NAT.NED. P	Fl. 70	50	7.70	-	-	25	8.90	Fl. 62.50
PHILIPS C	Fl. 35	37	0.20	142	0.70	32	1.20	Fl. 30.20
PHILIPS P	Fl. 30	10	1.20	42	2.20	30	2.60	Fl. 30.20
ROYAL DUTCH C	Fl. 230	636	2	157	6.90	5	8.50	Fl. 221.20
ROYAL DUTCH P	Fl. 230	31	10.50	190	12.30	1	16.50	Fl. 221.20
UNILEVER C	Fl. 120	64	1	96	4	2	6	Fl. 112
UNILEVER P	Fl. 110	121	2.40	58	4.50	100	6.50	Fl. 112
VAN OMMEREN C	Fl. 27.50	10	4.70 A	-	-	25	5.20	Fl. 31.50

TOTAL VOLUME IN CONTRACTS : 29,646

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm. Bk. N. East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	12
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm.	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Beneficial Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit. Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Bnkg Corp.	13		
		Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22%. Sarewise 8.47%. Top Tier-£10,000+ instant access 11.06% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 12.375% - 12.75%

COMPANY NOTICES

RAND MINES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninety-third annual general meeting of Rand Mines Limited will be held in the auditorium, lower ground floor, The Corner House, 63 Fox Street, Johannesburg, on Friday, 13 January 1989 at 11h00 for the following business:

1. To receive the audited annual financial statements in respect of the year ended 30 September 1988.
2. To elect directors in accordance with the provisions of the company's articles of association.
3. To place the unissued shares under the control of the directors in terms of the provisions of the Companies Act, 1973, as amended.
4. To determine the remuneration of the directors in accordance with the provisions of the articles of association.

For the purpose of determining those members entitled to attend and vote at the meeting, the register of members of the company will be closed from 7 to 13 January 1989, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote, speak and act in his stead. A proxy need not be a member of the company.

Attention is drawn to the fact that, if it is to be effective, a completed proxy form must reach the transfer secretaries in Johannesburg or the United Kingdom registrars and transfer agents at least forty-eight hours before the time appointed for the holding of the meeting.

The holder of a share warrant to bearer who desires to be represented at the meeting must produce his share warrant or a certificate of his holding from a banker or other approved person at the bearer reception offices of the United Kingdom registrars and transfer agents at least five days before the date appointed for the holding of the meeting and shall otherwise comply with the "Conditions governing share warrants" currently in force.

Thereupon, an attendance form or a proxy form under which such share warrant holder may be represented at the meeting will be issued.

By order of the board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per F D W PEACHEY
5 December 1988

Registered office:
15th Floor,
The Corner House
63 Fox Street
Johannesburg 2001

There are no service contracts between the company, or any of its subsidiaries, and any director or alternate director of the company, which need to be made available for inspection in terms of the requirements of The International Stock Exchange, London.

(Incorporated in the Republic of South Africa)
Registration No 01/00856/06

RAND MINES
BREAKING NEW GROUND EVERY DAY.

MONEY MARKETS

Steadier tone

INTEREST RATES ignored sterling's firmer trend, and a *rise in October final retail sales* figures, to finish little changed on the day in London yesterday. Most traders now see little prospect of a further rise in base rates, at least until the next set of UK trade figures for November, dne for release on December 23.

The key three-month interbank rate was unchanged at 13⅜-13¼ p.c. Interest rates are now peaking at three-month maturity, and showing a slightly downward curve from there out to one-year. Overnight money traded between 13½ p.c. and a low of 11 p.c.

UK clearing bank base lending rate 13 per cent from November 25

The *Bank of England* forecast a sbortage of aronnd £200m, and factors affecting the market includsd bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £741m, and banks' balances brought forward £115m below target. These were partly offset by Exchequer transactions, which added £175m and a fall in the note circulation of £465m.

The Bank gave assistance in the morning of £216m, through outright purchases of £61m of eligible bank bills in band 3, at 12⅞ p.c., and in band 4, £23m of local authority bills and £132m of eligible bank bills, all at 12¾ p.c.

The forecast was revised to a shortage of around £250m, before taking into account the morning help, and the Bank gave additional assistance in the afternoon of £5m, through outright purchases of eligible bank bills in band 4 at 12¾ p.c. Late help came to £10m, making a total of £231m.

The expected drain on liquidity, caused potentially, by the British Steel share issue, failed to materialise, and contingency plans made by the Bank to provide temporary liquidity were not implemented.

A shortage of liquidity and fears of higher interest rates in the US, pusbed French short-term money rates firmer. Call money was quoted as high as 7⅞ p.c., above the Bank of France money market intervention rate of 7¾ p.c.

However, the French franc has so far performed reasonably well against its EMS partners, which suggests that the authorities may wish to postpone any possible rise in rates. But political uncertainty, and the continued strike by public sector *workers may* eventually try the patience of foreign investors, and prompt a speculative run on the franc.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.5) 3 months US dollars		6 months US Dollars	
bid 9⅛	offer 9¼	bid 9⅛	offer 9¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10½	One month	6.75	Three year	9.10
Broker loan rate	9¾-½	Two month	7.76	Four year	9.09
Fed funds	8⅝	Three month	8.27	Five year	9.09
Fed. funds at intervention	8⅝	Six month	8.66	Seven year	9.14
		One year	8.88	10-year	9.14
		Two year	9.08	30-year	9.14

Dec.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.80-4.90	4.95-5.10	4.95-5.10	4.95-5.10	5.05-5.20	5.00
Paris	7⅞-7⅞	7⅞-8⅛	8-8⅛	8⅛-8⅛	8⅛-8⅛	7.25
Zurich	3¾-4⅛	4¾-5	-	4⅝-4⅞	-	-
Amsterdam	5.25-5.37	5.31-5.37	-	5.31-5.37	-	-
Tokyo	3.90625	4.46875	-	4.34375	-	-
Milan	10⅞-11⅛	11¼-12¼	-	11½-12	-	-
Brussels	7.25	7⅛-7⅛	-	7⅛-7¼	-	-
Dublin	7¼-7½	7⅝-7⅞	7¾-8	7⅞-8¼	8¼-8½	-

LONDON MONEY RATES

Dec.5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	12⅞	13⅛	13⅜	13⅜	13¼
Interbank Bid	11	12⅝	12⅞	13¼	13⅛	13⅛
Sterling CDs	-	-	12⅞	13⅛	13⅛	12⅞
Local Authority Deps.	12⅝	12¾	12⅞	13¼	13¼	13
Local Authority Bonds	-	-	12¾	12⅞	12⅝	12⅝
Discount Mkt Deps.	13	12¾	12⅝	12⅝	-	-
Company Deposits	-	-	13	13⅛	13⅛	13¼
Finance House Deposits	-	-	13⅛	13⅛	13⅛	13⅛
Treasury Bills (Buy)	-	-	12⅞	12⅞	-	-
Bank Bills (Buy)	-	-	12⅞	12⅞	12½	-
Fine Trade Bills (Buy)	-	-	12⅞	12⅞	12½	-

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ## Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs [illegible] Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	γ	69	−1
Craig & Rose £1	γ	710	......
Finlay Pkg. 5p	γ	85	−1
Holt (Jos) 25p	γ	£11½	......

IRISH

Cap. 8½% Ln. 1991	£99⅝	......
9pc Cap Ln. 1996	£103¼	......
Fin. 13% 97/02	£124⅛	......

Arnotts	γ	375	......
Carrol (P.J.)	γ	150	......
Grafton Grp	γ	145	......
Hall (R. & H.)		155	......
Helton Hldgs	γ	56	......
Irish Ropes	γ	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	48
Amstrad	18
BA7	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	10
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	27
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	40
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	40
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54
Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	63
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

CANADA

TORONTO
2pm prices December 5

INDICES

NEW YORK — DOW JONES

	Dec 2	Dec 1	Nov 30	Nov 29	1988 High	1988 Low	Since compilation High	Since compilation Low
Industrials	2092.28	2101.88	2114.51	2101.53	[illegible]	[illegible]	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.32 (8/7/32)
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.50 (8/4/32)

	Nov 25	Nov 18	Nov 11	year ago (approx.)
Dow Industrial Div. Yield ...	3.82	3.83	3.81	3.59

	Nov 30	Nov 16	Nov 9	year ago (approx.)
S & P Industrial div. yield ...	3.21	3.32	3.19	3.31
S & P Indl. P/E ratio ...	12.64	12.13	12.60	16.39

TRADING ACTIVITY † Volume Millions

	Dec 2	Dec 1	Nov 30
New York	125.206	129.380	157.810
Amex	13.830	19.603	9.931
OTC	125.023	123.269	125.341

NEW YORK	Dec 2	Dec 1	Nov 30
Issues Traded	1,929	1,953	1,941
Rises	603	662	988
Falls	803	794	478
Unchanged	523	497	475
New Highs	18	22	31
New Lows	20	27	30

CANADA

TORONTO	Dec 2	Dec 1	Nov 30	Nov 29	1988 High	1988 Low
Metals & Minerals	2945.6	2947.6	2925.4	2907.5	3226.5 (5/7)	2238.7 (8/2)
Composite	3293.3	3300.5	3294.7	3273.6	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1633.80	1640.31	1640.31	1626.36	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
RJR Nabisco	5,172,500	90⅝	− 1
SmithKline	2,898,100	45⅝	+ 1⅛
AT&T	2,065,500	28¾	− ⅝
Ford Motor	1,400,400	51⅞	− ¼
IBM	1,350,200	119¼	+ 1
General Electric xd	1,339,000	43⅞	− ⅝
Exxon	1,321,900	42⅞	− ⅝
PNC Financial	1,248,400	40⅞	− ⅞
Pub Serv E & G	1,184,700	24¼	− ¼
Ulco	1,058,700	15¼	− ⅛

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 5	Dec. 2	Dec. 1	Nov. 30	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1447.2	1450.6	1456.5	1471.5	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	663.6	660.8	672.7	682.3	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	220.10	221.30	220.50	221.10	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	5324.60	5338.20	5365.70	5361.70	5393.00 (24/11)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	258.30	256.36	254.89	252.22	258.30 (5/12)	180.68 (4/1)
FINLAND						
Unitas General (1975)	743.0	744.4	744.6	743.1	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	391.20	(u)	392.3	390.9	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	149.6	150.0	150.7	150.1	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	529.96	526.55	529.54	526.45	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1589.9	1579.3	1591.2	1582.5	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1282.23	1275.78	1277.98	1275.99	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2671.21	2667.26	2668.03	2659.30	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	582.41	585.25	582.36	578.92	593.43 (9/11)	423.91 (9/2)
JAPAN[**]						
Nikkei (16/5/49)	29614.68	29532.29	29541.46	29578.90	29614.68 (5/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2289.57	2283.25	2282.50	2285.75	2289.57 (5/12)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	271.6	272.8	273.4	274.0	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	238.6	240.4	241.0	241.4	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	426.62	426.00	421.16	422.34	426.62 (5/12)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	993.16	999.37	1003.47	1005.49	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1386.0‡	1352.0	1367.0	1343.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1872.0‡	1864.0	1864.0	1856.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	275.66	276.89	280.66	281.57	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3282.80	3258.86	3255.27	3216.88	3282.80 (5/12)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	580.5	581.9	585.3	583.2	585.3 (1/12)	466.6 (15/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	488.5	490.8	490.8	491.1 (24/11)	401.0 (21/1)

[**] Saturday Dec. 3: Japan Nikkei 29665.50 and TSE 2295.16
‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX − 1,000 JSE Gold − 255.7 JSE Industrials − 264.3 and Australia, All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 5 December 1988

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Motors	43.8m	1,440	—
Kobe Steel	37.2m	753	-12
Achilles	23.7m	1,230	+200
Nippon Steel	22.9m	935	-10
Mitsubishi Heavy Ind	22.1m	1,070	-20
Japan Line	18.3m	572	-10
Sumitomo Metal	16.9m	771	-11
Kawasaki Steel	15.2m	1,070	uch
Mitsui Mining	14.8m	743	-7
NKK	11.3m	948	-11

.3pm prices December 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14⅛	AAR	.44	1.9	16	621	23	22¼	23¼	+ ⅛
10⅛	8¾	ACM s				91	9¼	9⅛	9⅛	
12⅛	10¾	ACMIn	1.28a	11.		352	11	10⅞	11	
10⅛	10	ACM M s				43	10¼	10	10	– ⅛
12⅛	10⅜	ACMSc	s1.26	12.		672	10½	10⅛	10⅛	
10⅛	8⅛	ACMSp	n1.01a	12.		586	8⅞	8⅝	8⅞	
1-64	1-64	AMCA rt				273	1-64	1-64	1-64	
6½	3⅛	AM Intl				1007	4⅞	4½	4⅞	+ ⅛
23¼	10⅛	AM Int pf	2	9.4		17	21⅜	21¼	21⅜	+ ⅛
53¼	28⅛	AMR			9	8415	u54¼	52	53⅞	+2
24⅛	20⅛	ANR pf	2.12	8.1		9	25⅞	25⅝	25⅝	– ⅞
6½	3⅞	ARX			16	48	5⅞	5¼	5⅜	– ⅛
54½	35¼	ASA	3a	7.8		261	39⅞	38⅝	38⅝	– ⅛
29¼	11⅞	AVX	.12e	.7	11	158	15¼	13½	15⅜	+ ⅞
52⅞	42⅝	AbtLab	1.20	2.6	16	2650	46½	46	46⅜	+ ⅛
21⅞	15⅜	Abitibi g	1			291	16¼	16	16¼	+ ⅛
18⅞	7½	AcmeC	.40	4.9		239	8¼	8⅛	8⅛	– ⅛
28½	18½	Acuson			26	822	26	24⅞	24⅞	+ ⅛
17	14½	AdaEx	1.82e	12.		124	14⅞	14⅝	14⅝	
18⅞	7¼	AMD			15	3780	8¼	7⅞	7⅞	
40½	28¾	AMD pf	3	9.9		15	30¼	30	30¼	+ ⅛
8½	4¼	Adobe				150	8⅞	8⅝	8⅞	+ ⅛
19½	16¼	Adob pf	1.84	11.		1	17⅛	17⅛	17⅛	
9¼	5⅞	Advest	.16	1.6	21	26	6⅞	6¼	6¼	
52¼	39½	AetnLf	2.76	5.8	8	2298	48¼	47⅜	47⅞	+ ½
[illegible]										

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
59¾	28	Yorkin			15	30	53⅛	53¼	53¼	
3⅞	2¼	Zapata				300	2½	2⅜	2½	
27¼	13⅞	Zayre	.48	1.5	173	13126	30⅞	25⅞	26⅞	− ½
20	13¼	ZenithE				1257	13¼	18⅝	18¾	− ⅛
15⅝	8½	Zenlq n .80e		8.2		61	8⅞	8⅛	9⅞	− ⅛
6⅜	1	vjZenLb				345	2⅛	2	2	
21⅝	13¼	ZenNtl	.96b	6.9	7	41	18	15¾	16	+ ⅛
17¼	11¼	Zero	.44	2.6	14	67	18¼	16⅞	16⅝	+ ½
28	15½	Zurnin	.88	2.4	17	249	28	27¼	36	+ ⅛
11¼	8¼	Zweig	1.04	10.		533	10¼	10⅛	10¼	
16⅛	2¼	ZweigT	n.08e	.9		474	8½	8¼	2¼	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prestd A	.10		8	6	5	6	− ⅛
PrseCm		1	532	6⅜	6¼	6⅜	
ProMed	.42		28	6⅞	3⅜	6⅝	+ ⅛
ProfCre			174	2⅝	2¼	2¼	+ ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices December 5

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WolvEx			118	2⅛	8	8¼	+ ⅛
Wortbg	.44	16	385	22¾	21⅞	21⅞	+ ⅛
Wyman	.20	14	123	16	14½	14½	− ½
−X−Y−Z−							
XL Dta		10	182	25½	25⅜	26¼	− ⅛
XOMA			1048	15¾	12¼	15	+ ⅛
X-Rite s		18	339	10	9¾	9¾	+ ⅛
Xicor		12	1264	2	7⅞	7⅞	+ ⅛
Xyvan			180	4⅛	4	4	
YelowF	.70	26	805	33¾	32⅞	32	+ ⅛
ZionUt	1.44		8	23½	22⅞	23½	+ ⅛

AMERICA

Dow rallies in absence of a discount rate increase

Wall Street

THE ABSENCE of the widely expected increase in the discount rate helped equities to rally strongly yesterday, *writes Janet Bush in New York.*

The market was also boosted by the unveiling of a new form of share buy-back scheme called "unbundled units", which allows companies to borrow without undergoing a large recapitalisation scheme.

Unbundled units are packages of bonds, preferred stock and equity appreciation certificates designed to allow investors to receive the benefits of any stock price or dividend increases.

The immediate reaction to the product was that it would make it less likely that a company would have to burden itself with debt in, for example, a leveraged buy-out.

The combination of these two factors pushed the market up strongly. By 2pm, the Dow Jones Industrial Average stood 31.12 higher at 2,123.40, its highest level for about a month.

Speculation of an increase in the 6.5 per cent discount rate had been strengthening even before last Friday's employment figures which showed a much larger than expected 463,000 jump in the non-farm payroll last month.

Short-term money market rates have surged to a level which already discounts a half point rise in the Fed's key rate and Fed Funds are now trading in a clearly higher range than they were during the autumn. At midsession yesterday, Funds were quoted at 8¾ per cent.

Bond analysts believe that a rise in the discount rate is now inevitable as the markets need a sign of the Fed's anti-inflationary resolve. The question is one of timing as a discount rate increase is largely a political and symbolic gesture rather than an effective tool of monetary tightening.

The stability of the dollar yesterday in spite of the lack of a discount rate increase is one factor which may delay any move by the Fed which may want to keep ammunition in store for a time of pronounced dollar weakness.

A survey of analysts' views on the economy compiled by the National Association of Business Economists showed that the consensus of forecasters are expecting US growth to slow to a real rate of 2.5 per cent in 1989 compared with an expected 3.8 per cent this year. At the same time, however, consumer price inflation is expected to rise to 5 per cent next year from 4.1 per cent expected this year and 4.4 per cent in 1987.

The majority of those surveyed predicted a recession, probably in late 1989 or early 1990, and a peak in interest rates in the first half of 1989.

Four companies announced that they would swap common shares into unbundled units and all rose on the news. American Express gained $⅝ to $27⅞, Dow Chemical jumped $1⅞ to $85⅞, Pfizer added $1⅞ to $57⅞ and Sara Lee gained $1½ to $46.

The announcements of this new kind of restructuring, designed by Shearson Lehman Hutton, also helped other shares of companies rumoured recently to be possible takeover candidates. Time rose $1⅝ to $100¼, Mead added $⅝ to $40⅝ and McGraw-Hill was up $⅞ to $63⅞.

Among featured individual stocks, General Motors surged $2⅝ to $86 after an analyst was reported to have said the company's stock could rally if it went ahead with a boost in its dividend next year.

Texaco added $1 to $48 on reports that an unidentified investor had approached Mr Carl Icahn about selling his 14.8 per cent stake.

British Steel was the most active issue on the New York Stock Exchange yesterday morning as trading began in the newly privatised company. It was quoted unchanged at $11⅞.

Chemical Banking dropped $1⅜ to $32⅞ after news that the Federal Reserve had cleared its acquisition of Horizon Bancorp. Horizon rose $1⅝ to $73⅞.

Canada

AMID expectations of a prime rate increase by commercial banks, Toronto shares posted a minor gain at midsession. Gold prices and oil prices were flat.

The composite index rose 4.10 to 3,297.40 as gains outran losses by 117 to 101 on light volume of 2.4m shares.

International Thomson, with plans to sell its oil and gas interests, rose C$⅛ to C$14¾, while Teck gained C$⅛ to C$18 on news that it had bought shares in Golden Knight. Among oils, Texaco Canada was unchanged at C$40.

ASIA PACIFIC

Emperor's worsening illness brings caution

Tokyo

THE HIGH level of prices and a worsening in the Emperor's illness brought a cautious tone to the market and the Nikkei average lost ground in substantially lower volume, *writes Michiyo Nakamoto in Tokyo.*

The index dived from a high of 29,656.50 to a low of 29,433.56 but recovered a large portion of its losses to close down 50.82 at 29,614.68. Falls led gains by 541 to 291 and 196 issues were unchanged. Volume was much lower at 652m shares, compared with the 1.24bn on Friday.

The Topix index of all listed shares lost 5.59 to 2,289.57 and in later trading in London the ISE/Nikkei 50 index rose 2.55 to 1,859.17.

There was no visible trend to the Tokyo session, in which prices fell very quickly on little volume. The Emperor, who has been ill since mid-September, was reported to be in a worse condition. The new Nikkei high of 29,685.50, reached in half-day trading on Saturday, also kept investors wary.

Bargain-hunting later in the day helped share prices recover significantly, reflecting the underlying firmness of market sentiment, according to Mr George Nimmo at SBCI Securities (Asia).

All eyes were on Mitsubishi Motors Company (MMC), part of the Mitsubishi Group, which was listed for the first time. Mitsubishi Motors, which had a pre-listing public offer price of Y850, was the most heavily traded issue at 43.8m shares, although it was traded on only four occasions. It closed the morning session with only bid prices, which continued to rise on waves of buy orders. The initial quotation for MMC was Y1,330 and the issue closed at Y1,440, or Y590 above its pre-listing price. Analysts said interest was particularly high as car and large-capital stocks are becoming increasingly popular.

One notably strong sector amid the overall downturn was utilities. Many reported good half-year results last week and the stocks are considered to be undervalued. There was particular interest in regional utilities, which generally did better than the big city companies, such as Tokyo Electric Power, which lost Y50 to Y6,850 and Kansai Electric Power, which fell Y20 to Y4,270.

Chubu Electric Power advanced Y80 to Y4,080. The company supplies electricity to the Nagoya area, where the car industry and the overall economy are doing well, leading to expectations that demand for Chubu's power will remain strong.

Other strong performers included Chugoku Electric Power, up Y150 at Y3,350, and Tohoku Electric power, which advanced Y180 to Y3,280.

Large capital steels and shippings were out of favour. Kobe Steel, second most active with 37.2m shares traded, fell Y12 to Y753, while Nippon Steel lost Y10 to Y935 in heavy trading. Kawasaki Steel was unchanged at Y1,070.

Achilles, an integrated rubber and plastics processor, posted a substantial gain of Y200 to Y1,230 in the third most active trading of 23.7m shares on the view that it was undervalued.

Leading stocks fell out of favour in Osaka, and the OSE average lost 109.25 to 27,618.57. Volume was very low at 36m shares, compared with 105m on Friday. Achilles was the best performer in Osaka, where it added Y200 to Y1,230.

Roundup

WEAKNESS in New York and Tokyo depressed the main regional markets and only Hong Kong managed a rise. South Korean shares, cocooned from outside influences, saw further sharp gains while Taiwan dropped sharply again.

HONG KONG overcame hesitation about the weekend rise in local prime rates to 10 per cent from 9½ per cent and held steady despite Wall Street's weakness on Friday. The commercial and industrial sector showed the main gains, leaving the Hang Seng index 4 better at 2,671.26 in fairly active trading of HK$1.2bn.

Speculation that Cavendish International would be taken private sent the stock up 27½ cents to HK$3.35 and boosted related stocks Hutchison, 5 cents better at HK$8.80, and Cheung Kong, up 15 cents at HK$8.05.

AUSTRALIA remained thin and uneventful, with Friday's weakness on Wall Street leaving shares slightly lower overall. Companies with large borrowings suffered in particular from fears of a rise in interest rates in the US – and other markets – following further signs of economic overheating in Friday's American jobs figures.

The All Ordinaries index finished 3.7 lower at 1,447.2 in low volume of 98m shares worth A$154m, exacerbated by technical difficulties that delayed screen prices.

In industrials, Bond Corp lost 10 cents to A$1.70 in turnover of 1.8m shares after going ex an 8-cent dividend. BHP was also active on 2.5m shares, off 8 cents at A$6.66. CSR, in which Fletcher Challenge announced a 9.77 per cent stake, ahed 6 cents to A$4.28.

Resources saw Bougainville Copper off 2 cents at A$2.80, reacting less sharply than on Friday to news of further sabotage at its Panguna mine in Papua New Guinea. Western Mining, which has agreed the purchase of 60 per cent of the Agnew nickel mine from BP Australia, rose 9 cents to A$4.65.

SINGAPORE eased in continued thin trading of 11.2m shares, similar to Friday's 11m, with interest rate worries leaving the Straits Times industrial index 6.21 weaker at 993.16.

There were 111 falls to only 22 rises, and institutions again stayed out of the market, leaving activity to retail investors.

TAIWAN weakened further after Saturday's 300-point plunge. The weighted index lost 139.71 to 6,310.62.

EUROPE

Frankfurt confounds by finishing stronger

EVENTS on Wall Street kept a hold on European trading yesterday but tbere was an unlikely bid for freedom by West German shares, which managed small gains, *writes Our Markets Staff.*

FRANKFURT surprised analysts by rallying despite an unchanged picture on interest rates and the dollar. Turnover in German sbares was DM2.3bn – reasonable compared with last week's lows.

The FAZ was np 3.41 at midsession at 529.96 and the DAX finisbed 6.45 higher at 1,282.23.

Thyssen, a popular stock with analysts, came out with a forecast that its pre-tax profits this year would double to at least DM1.1bn. The news was largely in tbe price already, said one analyst, and the stock rose just DM1.60 to DM181.60.

In cars, VW powered ahead by DM7.10 to DM325.80 although the company said rumours it was trying to build a stake in Jaguar, the UK luxury car maker, were unfounded. VW, which was the day's most active stock with DM423m worth of shares traded, receives a listing in Tokyo today.

Compnter stock Nixdorf, which plunged last week on poor prospects for profits and dividends this year, picked up DM5 to DM299.50, bnt some brokers expect it to fall back again and to bottom out at around DM200 or even lower.

A buoyant capital goods sector saw MAN rise DM1.90 to DM229.70 after its 24 per cent rise in global profits last week, and Mannesmann gain DM2.10 to DM194.60.

AMSTERDAM was given a late injection of life after Wall Street opened firmly. The CBS all-share index finished the day 0.5 higher at 99.3.

Bols, the distiller, added Fl 5 to Fl 144.50 on plans for co-operation with Heineken, unchanged at Fl 139.50. There was little specific on the plans, bnt speculation centred on Bols possibly taking over Heineken's peripheral distilling activities. One analyst said Heineken was unchanged because the stock was not looking cheap on fundamentals, given that it appeared immune to takeover.

Steel stock Hoogovens remained strong, gaining Fl 3.90 to Fl 72.60, a new high for the year. The positive outlook for the industry and the over-subscription of the Britisb Steel offer last week are both belping the stock.

Shipping stock Nedlloyd rose a sharp Fl 8.50 to Fl 235, recovering most of Friday's fall, on continued speculation about a takeover bid.

MILAN finished weaker in quiet trading, with little interest from abroad. The Comit index fell 2.84 to 582.41 amid worries over the global interest rate environment.

However, mutual fund figures for November showed a better picture, with redemptions below L600bn compared with over L900bn in October.

Italcable, the overseas carrier for Stet, the state telecommunications holding company, plunged L1,310 to L11,600 after Friday's proposal for a share swap scheme for the incorporation of Stet's main operating units. Sip, the telephone company, eased L43 to L3,000.

One Italian analyst said Sip appeared on the face of it to be a cheap way into Stet, and Italcable an expensive one: the proposals from a panel of experts are for Sip shareholders to receive four Stet shares for five of Sip, and for Italcable shareholders to receive three Stet for each Italcable.

PARIS had a quiet session with few features. Volume was low and sbare prices ended weaker, though slightly up on the day's lows.

The CAC General index put on 1.1 to 392.3 and the OMF 50 index lost 0.63 to 404.60. One dealer in Paris said: "Everyone came in expecting it to be a bad day becanse of Wall Street's drop on Friday and it did become a bad day." Wall Street's early strength yesterday had little impact on Paris.

Epeda was one of the day's largest movers, adding FFr148, or 14 per cent, to FFr1,199. Thomson-CSF, electronics group, fell 50 centimes to FFr199.50 with BAe of the UK confirming the two were discussing a possible alliance.

ZURICH returned from the weekend in quiet mood, with mucb of the recent switching between bearer stock and participation certificates apparently completed for now.

One dealer said many institutions had closed their books for the year and this would keep volumes low for the next couple of weeks. The Crédit Suisse index fell 1.2 to 508.7.

OSLO responded favourably to stable North Sea oil prices and the strength of the Norwegian krone. The all share index continued its climb, rising 0.43 to another high for the year of 309.69. Norsk Hydro gained NKr1 to NKr109 while Elkem added NKr3.50 to NKr164.50.

STOCKHOLM was buoyed by strong foreign interest in blue chips. The Affärsvärlden index added 6 to 972.4.

BRUSSELS ended marginally easier in quiet trading on the final day of the forward market account. The cash market index eased 13.57 to 5,324.69.

Wagons-Lits went against the trend with a rise of BFr180 to BFr8,170

MADRID continued to languisb as investors stayed away, and the general index lost 1.23 to 275.66.

Rotten reports take little toll on state of Denmark

The strong bond market is helping equities to highs, writes Hilary Barnes

THE Danish equity market appears to be in the midst of an unstoppable recovery, apparently uninfluenced by one dismal report after another predicting macro-economic disaster for the country if the politicians do not soon stop the foreign debt from growing.

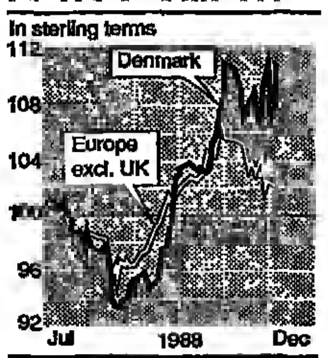
The all-share index passed its previous all-time high last Thursday, two days after the Economic Advisory Council, one of tbe most prestigious analysis institutes, predicted that 1989 would be another year with no economic growth. Share prices have since maintained their upward momentum, with tbe index closing yesterday at a new high of 258.30, up 1.94 on the day.

Share prices have risen by about 34 per cent since the year began, with the index standing about 20 per cent higher than its pre-Black Monday level.

Two main factors lie behind the recovery, say brokers. Leading industrials are reporting better-than-expected interim results; expectations of good figures from East Asiatic in its third quarter report, due on Thursday, are behind EAC's 3.4 per cent rise over the past week, to DKr276 yesterday.

Record annual profits reported last week by Carlsberg confirmed the market's view that export-based industrials have achieved a significant turnround this year.

FT-A World Indices



A marked rise in bond prices, and falling effective yields – down by almost 2.5 percentage points to just over 10 per cent since the end of last year – has also had a key impact on the market. Declining bond yields make shares an attractive alternative.

There has been some speculation that, with the gap between bond yields in West Germany and Denmark narrowed to about 3 points, the rise in Danish bond prices has to stop, but so far the pessimists have been proved wrong. Prices rose by a further quarter of a point yesterday and foreign investors showed no sign of nervousness.

The strong performance in the bond market has a direct influence on the banks and insurance companies. Portfolio gains and losses, whether realised or not, are entered fully into the profit and loss account in the year in which they occur, so the financial service companies are expected to show a big improvement in earnings this year. The bank share price average has risen by 13 per cent this year, insurance companies by 46 per cent.

The shipping index has risen by 74 per cent so far this year, led by Lauritzen Holding, which has jumped from DKr12,400 at the end of last year to its present DKr29,000. Lauritzen, which operates one of the world's two largest fleets of refrigerated cargo vessels, confirmed its recovery from a long period of financial trouble by placing an order for three new refrigerated cargo vessels late last week.

Shares in the A P Moller companies, D/S 1912 and D/S Svendborg, are both np by more than 60 per cent this year. Moller is in the process of placing orders for nine feeder container vessels to supplement its large liner fleet.

Industrials have also performed well, with that sector's index up by about 52 per cent this year. Nearly all the larger indnstrials, including Carlsberg, Novo, Danisb Sngar, Superfos and Northern Featber, bave published interim reports which point to satisfactory full-year earnings.

So far the equity market's recovery has not prodnced mucb new issne activity. Hoejgaard Holding, holding company for the large building and construction group, Hoejgaard & Schulz, was the first to test the market last month, but had some difficulty selling the issue.

Some smaller companies are rumoured to have issue plans for the spring, but with investment activity in industry currently in decline, no key issues are expected in the immediate future.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 2 1988					THURSDAY DECEMBER 1 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	143.61	-0.4	114.69	109.66	4.95	144.14	115.32	110.01	152.31	91.16	94.13
Austria (17)	97.93	-0.1	78.21	88.15	2.44	98.05	78.45	88.19	100.00	83.72	90.71
Belgium (63)	133.43	+0.0	106.56	119.78	4.22	133.47	106.78	120.13	139.89	99.14	95.08
Canada (125)	121.92	-0.3	97.36	104.83	3.37	122.24	97.80	105.07	128.91	107.06	100.07
Denmark (39)	155.92	+0.9	124.51	141.44	2.14	154.48	123.60	140.83	155.92	111.42	110.24
Finland (26)	139.83	+0.5	111.67	119.82	1.40	139.13	111.31	119.13	139.83	106.78	–
France (130)	110.67	-0.2	88.38	102.59	3.16	110.85	88.69	102.98	112.05	72.77	80.29
West Germany (102)	86.54	-0.5	69.11	77.79	2.40	86.96	69.58	78.33	88.21	67.78	73.00
Hong Kong (46)	111.01	+0.1	88.65	111.20	4.64	110.93	88.76	111.14	111.86	84.90	77.41
Ireland (18)	131.66	+0.2	105.15	119.85	4.20	131.43	105.15	119.71	144.25	104.60	93.50
Italy (98)	86.55	+0.6	69.11	82.67	2.44	86.00	68.81	82.27	86.73	62.99	78.12
Japan (456)	190.45	+0.2	152.09	146.15	0.51	190.01	152.03	146.05	190.75	133.61	137.66
Malaysia (36)	140.08	+0.1	111.87	144.24	2.94	139.89	111.93	144.15	154.17	107.83	97.34
Mexico (13)	178.76	+0.1	142.76	446.50	1.15	178.56	142.87	446.50	182.24	90.07	117.49
Netherland (38)	108.99	-0.2	87.04	97.05	5.08	109.20	87.37	97.39	111.00	95.23	89.39
New Zealand (25)	68.67	-0.6	54.84	56.02	7.04	69.05	55.25	56.61	84.05	64.42	75.28
Norway (25)	128.59	+1.5	102.69	112.97	2.57	126.72	101.39	111.41	132.23	98.55	97.40
Singapore (26)	118.83	-0.4	94.90	106.59	2.55	119.35	95.49	107.33	135.89	97.99	85.29
South Africa (60)	125.75	-1.7	100.43	98.17	4.70	127.95	102.37	99.01	139.07	98.26	140.65
Spain (42)	149.80	-1.1	119.63	128.18	3.19	151.51	121.22	129.64	164.47	130.73	114.52
Sweden (35)	138.17	+0.4	110.34	122.98	2.32	137.56	110.06	122.44	138.17	96.92	91.85
Switzerland (57)	79.18	+0.0	63.23	71.18	2.38	79.20	63.37	71.29	86.75	74.13	75.65
United Kingdom (318)	137.03	-0.7	109.43	109.43	4.82	137.96	110.38	110.38	141.51	120.66	116.06
USA (577)	110.78	-0.3	88.46	110.78	3.68	111.10	88.89	111.10	115.55	99.19	91.22
Europe (1008)	114.39	-0.4	91.35	97.84	3.80	114.82	91.87	98.39	116.61	97.01	94.60
Pacific Basin (680)	185.28	+0.2	147.96	143.08	0.74	184.90	147.94	143.01	185.75	130.81	133.71
Euro-Pacific (1688)	156.90	+0.0	125.30	125.14	1.64	156.85	125.50	125.31	158.08	120.36	118.10
North America (702)	111.36	-0.3	88.93	110.43	3.66	111.69	89.36	110.75	116.07	99.78	91.68
Europe Ex. UK (690)	100.11	-0.2	79.95	90.84	2.99	100.26	80.22	91.13	101.29	80.27	81.29
Pacific Ex. Japan (224)	123.55	-0.2	98.67	104.36	4.79	123.84	99.09	104.64	128.27	87.51	85.96
World Ex. US (1886)	155.38	+0.0	124.09	124.33	1.72	155.37	124.31	124.51	156.39	120.26	117.71
World Ex. UK (2145)	138.41	+0.0	110.53	120.81	2.06	138.44	110.77	120.95	138.58	111.77	106.62
World Ex. So. Af. (2403)	138.35	-0.1	110.48	119.86	2.29	138.45	110.77	120.08	138.69	113.26	107.23
World Ex. Japan (2007)	113.15	-0.3	90.36	105.83	3.77	113.53	90.84	106.24	115.54	100.00	92.98
The World Index (2463)	138.27	-0.1	110.42	119.72	2.30	138.38	110.72	119.94	138.59	113.37	107.45

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.